



University
of Glasgow

Intro to VAT at UoG



Intro to VAT at UoG

1. What is VAT?

2. VAT and income?

3 VAT and your budget?

4 How does VAT work with overseas purchases?

5 VAT in Agresso

What is VAT?

- VAT is a transaction tax
- It is collected by businesses on behalf of HMRC
- It is a legal obligation to collect, report, and pay over VAT to HMRC
- Each time you receive income, you should consider VAT
- Each time you buy something, you should consider VAT
- VAT is important...
- In 2021-22 VAT is forecast to raise £131.9 billion (OBR forecast)

When is VAT charged?

- VAT is charged on most UK sales of goods and services, these are known as taxable supplies
- The [default] standard rate is 20%
- A small number of items are taxed at 5% or 0%
- Some supplies of goods or services are exempt eg education
- VAT is not due if there is no supply of goods or services – this is known as outside the scope of VAT eg non business research
- Unfortunately there is no overriding VAT exemption for the University

When is VAT charged?

- The default is that VAT is charged on most UK sales of goods and services
- Unfortunately for the reasons explained later, VAT is often a cost to the University
- There are some special VAT reliefs because the University is a charity
- And whilst purchases from overseas will often not show VAT on the invoice or quotation, for the reasons explained later, UK VAT is normally due

Quick question 1

- When we raise an invoice for £100 plus 20% VAT this means that:
 1. £100 belongs to the University and £20 goes to HMRC
 2. £120 is yours
 3. £100 to HMRC and £20 for staff bonuses

Quick question 2

- VAT on purchases is usually a cost to the University and so should be included in our budgets?
 1. True
 2. False
 3. It depends

Quick question 3

- Which of these supplies would we expect to be exempt from VAT?
 1. Consultancy services
 2. Student fees
 3. Grant funded research

VAT and income

- Although in a 'normal business' most goods and services are subject to VAT at the standard rate 20%...
- Things are a little different in the University – possibly 90% of our income is 'VAT free'
- We will now look at:
 - Does VAT apply?
 - What is the correct VAT rate?
 - What is outside the scope income?

Does VAT apply?

- Here is a checklist to work through:
 1. Am I making a supply in return for a payment?
 2. Is the customer in the UK?
- If yes to both of the above:
 1. Am I making a zero rated supply?
 2. Am I making an exempt supply?
 3. Does the lower (5%) rate apply?
- If no to all of the above:
- I am making a standard (20%) rated supply

Am I making a supply in return for payment?

- This is the most fundamental question!
- If you are not supplying goods or services in return for payment, then no VAT can be due
- This is known as ‘outside the scope of VAT’
- The most common examples for the University are Grant and Donations income

Grant income

- This is the most common form of income outside the scope of VAT and includes grants from:
 - UKRI
 - Charities
 - Some government funding
 - And pre-Brexit, the EU
- There is a follow on course which covers research and VAT in more detail

Donations income

- Another common form of income outside the scope of VAT is donations income if...
- The donation is a gift freely given
- The donor cannot receive anything in return for the donation, especially IP
- The donor cannot mandate that they receive publicity or the University uses their logo (it is ok for the University to acknowledge donations)
- You can read HMRC's guidance in [VAT Notice 701/41](#)

Quick question 4

- Which of these types of income would we expect to be outside the scope of VAT?
 1. Grant income
 2. Contract research
 3. Student fees
 4. Donations
 5. Collaborations
 6. Consultancy

Is my customer overseas?

- Special rules apply if a customer is based outside the UK
- You do not need to charge VAT when you are making supplies to a customer who is based overseas.
- If selling physical goods to a customer outside the UK you should refer to our export guide
- Selling goods or services to individuals can sometimes give rise to tax obligations outside the UK, especially sales of goods or online/digital services

Am I making a zero rated supply?

- Some sales made by the University are zero rated
- The most common example is books, including e-books (but not read and publish agreements), and cold takeaway food (but not catering)

Am I making an exempt supply?

- The largest source of the University's income is from education (student fees) which is an exempt supply
- All education, including non-credit bearing courses and academic conferences is exempt from VAT when supplied by the University

Am I making an exempt supply?

- The exemption also extends to ‘closely related’ supplies but the requirements around this are quite tight
- It must be for the direct use of the student
- And the education itself must be supplied by an ‘eligible body’ (eg by the University, or another university)
- We rely on this exemption for income from the Glasgow International College, or if we provide room bookings for use by other Universities

Does the lower or 5% rate apply?

- In reality the University does not make many lower rated supplies
- For completeness lower rated supplies include:
 - Fuel and power used for non-business [public or charity funded] research and student accommodation
 - Sales of some safety equipment
 - Sales of contraceptives from vending machines

Am I making a standard rated supply?

- The way that VAT legislation works, if you haven't eliminated your supply from the previous lists, then you are making a standard rated (20%) supply

VAT and your budget?

- Broadly speaking, VAT WILL appear as a cost in your budget if:
 - you are making an exempt supply or
 - receiving income which is outside the scope of VAT
- ie the VAT is NOT recoverable from HMRC

Why?

- As we stated earlier, VAT is a transaction tax
- And most 'regular' businesses collect VAT on their purchases, AND reclaim VAT through their VAT return incurred on their purchases



But...

- ...it doesn't work like that for the University's education and grant income

But...

- The rules of VAT are that if your income benefits from VAT exemption, or your income is 'not a supply' so 'outside the scope of VAT'...
- Then you have no right to recovery of the VAT you incur on purchases
- So the VAT you pay becomes a cost in these situations

Summary of VAT rates for sales

VAT rate	UoG code		
Standard (20%)	BS	NOT VAT FREE	RIGHT TO RECOVER INPUT VAT
Lower (5%)	BL		
Zero (0%)	BZ	VAT FREE	NO RIGHT TO RECOVER INPUT VAT
Overseas (0%)	BR		
Exempt (0%)	BE		
Outside the Scope (0%)	BO		

Selling to Overseas Customers

VAT code UK	Overseas
BS	BR
BE	BE
BO	BO
BZ	BR

Quick question 5

- What is the 'default' VAT rate?
 1. 0%
 2. 5%
 3. 20%
 4. Exempt

Quick Question 6

- If a shop makes sales in July of £10,000 plus 20% VAT, and made purchases of £5,000 plus 20% VAT, how much VAT would they pay over to HMRC?
 1. £2,000
 2. £1,000
 3. It depends

Quick Question 7

- If the University makes sales of education in July of £10,000, and made purchases of £5,000 plus VAT, how much VAT would they pay to or reclaim from HMRC?
 1. Pay £2,000
 2. Pay £1,000
 3. Pay nothing
 4. Reclaim £1,000

Quick Question 7

- There is nil output tax on the sales of education of £10,000
- This means that although the university pays £1,000 of input VAT on the purchases of £5,000, they are unable to recover any of this
- So the University's net payment to HMRC will be nil

VAT reliefs to save your budget?

- The University can make its budgets go further by making use of VAT reliefs
- The most important VAT relief for the University is the Medical and Veterinary Relief
- There are also reliefs for equipment adapted for disabled people, and a relief for some advertising (but excluding social media advertising)

When can I claim VAT relief?

- This is available on buying or hiring equipment from an approved category used for medical or veterinary research, training, or diagnosis
- You can refer to the HMRC guide [VAT Notice 701/6](#)
- We will run a separate session to cover this, or you can access an online PowerPoint guide on the internet

Quick question 8

- Thinking back to the earlier slides on income, when we make a sale of consultancy services to a business customer in France...
 1. This is a standard rated supply so we charge 20% VAT
 2. We don't charge UK VAT
 3. It depends

VAT and overseas purchases?

- Just as we don't charge UK VAT to our French customer
- If we buy in services from a French supplier, we don't pay French VAT
- But we do pay UK VAT

VAT and overseas purchases?

- To avoid the need for the French supplier to register for UK VAT
- We charge ourselves UK VAT
- This is known as the reverse charge
- So if we buy in testing services for £1,000 from a French supplier
- We charge ourselves £200 of UK VAT
- We treat the £200 VAT in the same way as we would for a UK purchase

VAT and overseas purchases?

- Some overseas payments are not subject to the reverse charge including:
 - Payments to collaborative partners
 - Hotels and travel costs outside the UK
 - Recharge of salary costs from our Chinese teaching activities

VAT and overseas purchases?

- We currently process the posting reverse charges to your project codes monthly
- So there will be a delay of approx. 1 month in seeing the VAT on your project code

What about purchases of goods?

- Pre Brexit, goods from Europe were also dealt with using the reverse charge
- We now have to deal with VAT at the port
- The UoG import team deal process all imports

What about purchases of goods?

- Where a VAT relief is available we don't pay VAT
- Where VAT is due, we use our deferment account to make one payment to HMRC each month
- The charge is then journaled to your project code
- And so like the reverse charge, there will be a delay of approx. 1 month in seeing the VAT on your budget code
- We will run a separate session to cover importing, or you can access an online PowerPoint guide on the internet

Buying from Overseas Customers	
VAT code UK	Overseas
AS	EU
AE	AE
AO	AO
AZ	AZ
EF	EF

Quick question 9

- We have placed an order with a French company.
 1. We must pay French VAT (TVA)
 2. We must pay UK VAT under the reverse charge
 3. It depends



VAT and Agresso

- We need to consider:
 - VAT on purchases
 - VAT on sales invoices
 - VAT on your project code
 - VAT in our VAT return

VAT and Agresso – on purchases

- VAT is recorded on every transaction using a purchase VAT code

Purchase VAT codes		
AE	Wholly Exempt	Education, conferences
AO	Outside the scope	Partner payments, non-VAT registered businesses
AS	Standard rated	Default VAT code
AL	Lower rated	Little used
AZ	Zero rated	Books, public transport fares
EU	EU/Overseas supplier for VAT reverse charge	Non-UK purchases
EF	No VAT Medical/Vet (exemption form)	Medical/Vet exemption

VAT and Agresso – on purchases

- Agresso and ARCP do most of the work for you
- In Agresso, if raising a purchase order, the product code will drive the VAT code
- In ARCP, the default position is that you will pay VAT on purchases
- Coded exceptions are:
 - T&S Fares (zero rated)
 - Medical consumables (EF)
 - Partner payments
- You may need to change the VAT code for:
 - Equipment which qualifies for Medical/Veterinary (EF)
 - Animals

VAT and Agresso – sales

- VAT is recorded on every transaction using a sales VAT code

Sales VAT codes		
BE	Wholly Exempt	Education, conferences
BO	Outside the scope	Grants, donations, insurance receipts
BS	Standard rated	Contracts
BL	Lower rated	Little used
BZ	Zero rated	Books
BR	Overseas customer	Non-UK sales

VAT and Agresso – sales

- Again, Agresso and ARCP do most of the work for you
- In Agresso, if raising a sales order, the sales code will drive the VAT code
- In ARCP, the Funder scheme will drive the VAT code
- This is where most VAT errors arise – and so caution is needed here
- The next slide shows which VAT code is driven by each funding scheme
- The following slides reminds you of the implications of each VAT code

VAT and ARCP

Funder Template	Funders	Funding Scheme	Assumption	Tax Code
Research Council	all RCUK	Standard Research	no supply	BO
UK Charities	all UK Charities	Standard Research	no supply	BO
UK Industry	all UK Coys	Standard Research	no supply	BO
	all UK Coys	Standard Contract / Service	supply	BS
UK Govt Bodies	all UK Coys	Standard Research	no supply	BO
	all UK Coys	Standard Contract / Service	supply	BS
EU	European Commission	Horizon 2020 (Standard)	no supply	BO
EU Charities	all Charities	Standard Research	no supply	BO
EU Govt Bodies	all UK Coys	Standard Research	no supply	BO
	all UK Coys	Standard Contract / Service	supply, VAT No. known	BR
EU Industry	all UK Coys	Standard Research	no supply	BO
	all UK Coys	Standard Contract / Service	supply, VAT No. known	BR
RoW Charities	all Charities	Standard Research	no supply	BO
RoW Industries	all Funders	Standard Research	no supply	BO
		Standard Contract / Service	supply	BR
UK HEIs	all UK HEIs	Standard		BS

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Overseas (0%)	BR		
Exempt (0%)	BE		
Outside the Scope (0%)	BO		

VAT and Agresso – recovery of VAT paid

- Once you have paid VAT, you then consider whether you can recover it
- If we charge VAT (BS, BZ, BR), we can recover any VAT paid through our VAT return, so VAT is NOT a cost
- If we benefit from VAT exemption, or our income is ‘outside the scope of VAT’, (BE or BO), then we have no right to recovery of the VAT paid, so VAT is a cost

VAT and Agresso

- Again, Agresso and ARCP do most of the work for you
- In Agresso, data held within the sub project code drives whether VAT is/isn't recoverable
- So when you use a sub project code, this will determine the VAT that you see on your code
- It is important that the VAT recovery associated with that sub project code is appropriate
- In ARCP, the funder scheme drives whether VAT is/isn't recoverable

VAT and Agresso – Tax Systems Explained

- The way that Agresso drives VAT recovery is the Tax System
- The most important tax systems are:

Code	Description	VAT recovery status	How much VAT goes onto my code?
TS10	Exempt	No recovery	100%
TS11	Outside the scope	No recovery	100%
TS12	POT1	Some recovery at 'POT' rate	100%
TS13	POT 2	Some recovery at 'POT' rate	100%
TS14	Research and Other	Some recovery at 'POT' rate	100%
TS20	Wholly taxable BS sales	Fully recoverable	0%

VAT and Agresso – All Tax Systems

Code	Description	VAT recovery status	How much VAT goes onto my code?
TS10	Exempt	No recovery	100%
TS11	Outside the scope	No recovery	100%
TS12	POT1	Some recovery at 'POT' rate	100%
TS13	POT 2	Some recovery at 'POT' rate	100%
TS14	Research and Other	Some recovery at 'POT' rate	100%
TS20	Wholly taxable BS sales	Fully recoverable	0%
TS21	Wholly taxable BS sales	Fully recoverable	0%
TS22	Wholly taxable BS sales	Fully recoverable	0%
TS50	Small Animal Hospital	Mainly recoverable	10%
TS51	Residences	Some recovery at 'residence rate'	60%
TS52	Catering	Some recovery at 'catering rate'	70%
TS53	Section 33 (museums)	Fully recoverable	0%
TS54	Concho farm	Mainly recoverable	3%
TS55	ICE building	Mainly recoverable	13%
TS56	Kelvin Hall/Hunterian	Mainly recoverable	6%
TS57	Weipers Equine	Mainly recoverable	7%
TS80	Capital sector (builds >£10m)	Holding code treated as no recovery	100%

Quick question 10

- Your sub-project code uses Tax System code TS10. This means
 1. 100% of VAT costs will appear on your code
 2. 0% of VAT costs will appear on your code
 3. Don't know

Quick question 11

- Your sub-project code uses Tax System code TS13. This means
 1. 100% of VAT costs will appear on your code
 2. A proportion of VAT costs will appear on your code
 3. 0% of VAT costs will appear on your code

Key points...

1. VAT is complex for the University
2. The default rate for UK VAT is 20%
3. We normally have to pay UK VAT on overseas purchases of goods or services
4. We only can claim VAT relief on some purchases
5. Student fees are exempt from VAT
6. Grants and donations are outside the scope of VAT
7. We don't normally charge VAT to overseas customers
8. VAT will appear in your budget if your project is exempt or outside the scope of VAT
9. Agresso does a lot of the heavy lifting for VAT with the tax systems



Any questions?
