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VAT for Academies

Business or non-business activities

In the context of VAT registration academies need to understand the difference between income generating activities that are deemed a business activity or a non-business activity:

Business activity – examples include charges for education, facility and room hire and staff & visitor meals etc. (*N.b. some activities may be exempt and so are disregarded for VAT purposes*)

Non-business activity – this is outside the scope of VAT and examples include free education, other education related supplies provided free or below cost (*e.g. school trips, accommodation, transport etc.*)

You will only be obliged to register for VAT should your income from business activities exceed the current threshold of £81,000.

VAT registration

You can still chose to voluntarily register for VAT before income from business activities exceed the current threshold of £81,000. This may enable a more tax efficient outcome due to partial exemption rules and also lead to a more efficient recovery of the VAT cash due from HMRC. This would need to be balanced with the impact of having to charge VAT on business activities that may be delivered to non VAT registered individuals (*e.g. renting out school facilities*), thereby making the activity more expensive to the end user.

We would recommend you contact us to discuss this further.

Non VAT registered academy reclaim process

Normally you would not be able to reclaim VAT on non-business activities whether you were VAT registered or not. However, there are special rules the apply to academies.

To make a VAT claim for non-business activity supplies it is necessary to complete a form VAT 126:

<http://www.hmrc.gov.uk/forms/vat126.pdf>

It is important to note that as a non VAT registered academy you will not be able to recover the VAT on purchases used wholly to make taxable or exempt supplies (i.e. business activities).



It will be necessary to list the supplier invoices related to the claim along with each suppliers VAT number.

A claim must be for a period of at least one calendar month and must end on the last day of a calendar month.

With regards to timings on receiving any cash due there is currently a back log with the review process taking between 3-4 weeks. Once approved HMRC aim to make a BACS payment within 5-10 days.

Contact

If you would like to discuss any of the above in more detail or for further information please give Edward Sanford a call on 0207 183 6089 or email him at edward.sanford@chadsan.com.

