To Heads of all Educational Establishments

December 2007
Management Circular No. 79

Dear Colleague

Educational Establishments and VAT

GUIDELINES AND PROCEDURE NOTES

General points educational establishments should note:

This Management Circular sets out in some detail the obligations of Glasgow City Council educational establishments to properly account for VAT. However, it is recognised that this is a complex subject, and the following summary contains the essential points to be remembered when dealing with VAT.

PROPER VAT INVOICES

In order to recover VAT, Glasgow City Council must obtain proper VAT Invoices. To ensure the educational establishment has obtained a proper VAT Invoice, the following points should be checked:

1. Is the Supplier’s name, address and VAT Registration number shown?
2. Is the Invoice numbered, and shows the date of supply and type of supply?
3. Is the Invoice properly addressed to the educational establishment?
4. Is there sufficient description to identify the goods and services received?
5. Is the VAT rate shown?
6. Are totals of net value of goods and services, VAT, and gross amount payable, clearly shown?

If educational establishments have any queries on the above, they should ensure that they ask the supplier for a VAT Invoice.

(Refer to Appendix 1 of this Management Circular).
PRO-FORMA INVOICES

If an educational establishment requires to pay for goods or services on a pro-forma Invoice, they should note that a Pro-Forma is not a VAT Invoice, and VAT can only be recovered on receipt of a proper VAT Invoice. There are therefore implications as to when VAT is recovered, and how the pro-forma is recorded.
(Refer to Appendix 1 of this Management Circular).

PURCHASES BY IMPORTATION (SOURCE OUTWITH THE EUROPEAN UNION)

If an educational establishment sources goods from outwith the EU (e.g. United States of America, Canada, etc.) it is likely that the goods are liable to Duty and VAT at the point of Importation. Care should be taken to ensure that the Duty element is considered in budget cost evaluation as this is allocated to the revenue cost. The goods will not be released from H.M. Revenue and Customs until the appropriate Duty and VAT are paid by Glasgow City Council’s import agent and although the agent will invoice Glasgow City Council for the Duty and VAT the VAT element is not recoverable on the evidence of the agent’s invoice as this is not a proper VAT invoice. VAT is recoverable on the evidence of a monthly tax certificate (C79) for ALL importations by Glasgow City Council and invoice payments to agents should be cross referenced to this document, held by Glasgow City Council’s VAT Officer, to ensure all VAT is recorded correctly. There are therefore implications as to when VAT is recovered and how the VAT is recorded and checked against the certificate.

PURCHASE OF GOODS FROM OTHER EUROPEAN UNION COUNTRIES TO BE DELIVERED TO THE UK

If an educational establishment sources GOODS from outwith the UK but still within the European Union, provided that the supplier is notified that the purchase is for ‘business’ purposes and that Glasgow City Council is Registered for VAT in the UK, by notification of Glasgow City Council’s VAT No, on the order, the supplier will not charge VAT, at the rate applicable in the source EU Country. (N.B. failure to follow the correct procedure will result in Foreign VAT being charged and this is NOT recoverable). ALL purchases of GOODS from other EU countries must be identified through the Creditors System by highlighting the Supplier as an EU Supplier on initial notification to Creditors Section. For GOODS processed through Banking Section various documents and information must be supplied to Glasgow City Council’s VAT Officer, Financial Services as a detailed statistical return must be submitted monthly. There are financial penalties for incomplete, inaccurate, late and missing declarations. There are therefore implications as to how these purchases are processed.

Educational establishments purchasing GOODS through either of the above two methods should consult Education and Social Work Services Budget Unit on 0141 287 4976 to ensure compliance with these regulations.

PURCHASES MADE WITH MONEY RECEIVED FROM SCHOOL FUNDS

If money is received from the School Funds to be used to buy equipment for the school, VAT can be recovered as long as the school orders the goods through the official order system, and submits the subsequent VAT Invoice for payment. The monies received from the School Funds are then credited against this Invoice charge, and paid into Glasgow City Council funds using the FD2 system.
(Refer to Appendix 2 of this Management Circular).

SALE OF GOODS TO CHILDREN AND YOUNG PEOPLE

Within certain rules, the school can purchase goods for resale to children and young people. The main point to remember is that the goods so purchased are incidental to the normal educational curriculum.
(Refer to Appendix 3 of this Management Circular).
EDUCATIONAL TRIPS

Generally any trip made by children and young people can be justified as being of Educational value, and provided the establishment orders and pays for any costs incurring VAT, this VAT can be recovered. H.M. Revenue and Customs are very flexible as to what is considered an Educational trip, stating that if the Head of Establishment has agreed to it, then it must be educational.

(Refer to Appendix 4 of this Management Circular).

SCHOOL PHOTOGRAPHS

The terms of accounting for VAT on commission on School photographs is now well established. Any establishment requiring more details should refer to Appendix 5 of this Management Circular.

SALE OF CLOTHING

This can be a potentially problematic area, and establishments are encouraged to read the full text of Appendix 6 of this Management Circular to determine the VAT position relating to any such sales. Note that educational establishments dealing solely with young people under 14, and dealing with clothing clearly identifiable as part of the school uniform, will not have a problem, but Secondary establishments should be aware of the cut-off sizes under which no VAT is chargeable.

SCHOOL FUNDS

Although not directly affecting educational establishments and accountability for Glasgow City Council monies, this Management Circular includes an Appendix devoted to potential problems arising from income generated through School Funds. Glasgow City Council staff who are involved with School Fund activities are advised to be aware of the ramifications of income generation and VAT.

(Refer to Appendix 7 of this Management Circular).

INCOME GENERATION

Heads of Establishment are reminded that care has to be taken with regard to income generated at the establishment. For example, if a school organises and holds a disco for the children and young people, or a concert by the school orchestra, for which admission is charged, the ticket sales are liable to VAT, and should be accounted for by the school. If, however, the event is run under the auspices of the School Fund, and the Fund income is below the registration limits, then the income is not liable to VAT.

Likewise, if a secondary school is involved in the sale of clothing, whose size makes it liable to VAT, the purchase and sale of such clothing by the School Fund would mean that, if the Fund Income is below the registration limits, the income is not liable to VAT, but it must also be remembered VAT on the purchase is not recovered by the Fund or the School/Glasgow City Council.

Yours sincerely

Margaret Doran
Executive Director: Education and Social Work Services
1. **GENERAL RESPONSIBILITY TO ACCOUNT FOR VAT**

Input Tax is the VAT Glasgow City Council is charged on the goods and services it purchases. In order to be recovered, VAT must be:

- Proper to Glasgow City Council;
- Recoverable;
- Evidenced.

1.1 Proper to the Council

To allow Glasgow City Council to recover the Input Tax, Glasgow City Council must be able to prove that it was the recipient of a supply of goods or services. In other words, there must be a supply to Glasgow City Council and **not to a third party** for whom goods may be purchased or services performed. Payment by Glasgow City Council is not sufficient to allow the VAT element of that payment to be recovered. For example, if the School Fund orders goods, receives an Invoice addressed to the School fund, and passes this Invoice to the school for payment, the VAT could not be recovered on that Invoice.

1.2 Recoverable

Certain types of expenditure do not allow recovery of VAT. None of the categories involved are likely to affect schools, and are not discussed here.

1.3 Evidenced

For any claim for recovery of Input Tax to be valid, it needs to be supported by proper evidence. For the supply of goods and services in the UK, this evidence will be a valid VAT Invoice. It is essential that proper tax Invoices are obtained for all supplies of goods and services (unless the value of the supply is less than £250 when simplified tax Invoices are acceptable). H.M. Revenue and Customs will disallow any claim for Input Tax if relevant tax Invoices are not held. Financial Services Audit and Inspection wrote to Glasgow City Council Departments in September 1997 to indicate that Glasgow City Council had under-recovered input VAT due to the failure of some Services to obtain proper VAT Invoices. It is therefore essential that all Glasgow City Council staff who process tax Invoices ensure that they are aware of the details required on these Invoices, and check carefully to satisfy themselves that all relevant information is present.

1.4 VAT Invoices

In order for an Invoice to be regarded as a VAT Invoice, the following 11 key items have to be present:

i. an identifying number;
ii. name, address and VAT registration number of the Supplier;
iii. the time (date) of supply;
iv. date of issue of the Invoice (if different from date of supply);
v. customer name and address (e.g. Glasgow City Council - School);
vi. the type of supply (see below);
vii. a description of the goods and services supplied;
viii. for each description, the quantity of goods or services, the rate of tax and the net amount;
ix. the total tax chargeable;
x. the total value of the supply, excluding tax;
xi. the rate of any discount.

The following types of supply must be identified separately:

i. sale;
ii. hire-purchase, conditional sale, credit sale or similar transactions;
iii. loan;
iv. exchange;
v. hire, lease or rental;
vi. process (making goods from someone else’s materials);
vii. sale on commission (e.g. by an auctioneer);
viii. sale or return or similar terms.

An example of a valid tax Invoice is attached to this Appendix which notes thereon the information which is required to validate the Invoice.

1.5 Less Detailed VAT Invoices

If purchasing from a retail outlet, purchasers should always ask for a VAT Invoice, as these are not usually given by retail suppliers to members of the public, who are their normal customers. Less detailed VAT Invoices are acceptable from such outlets if the purchase is less than £250. Such Invoices, usually obtained from Customer Services desk, would contain the following:

i. name, address and VAT registration number of the supplier;
ii. the time (date) of supply;
iii. a description which identifies the goods or services supplied;
iv. for each VAT rate applicable, the total amount payable including VAT and the VAT rate charged, shown in sterling.

*Exempt supplies cannot be included in such Invoices.*

Establishments should be especially careful with Petty Cash disbursements and ensure that a proper VAT Invoice is obtained, generally the less detailed Invoice as above.

1.6 Pro-Forma Invoices and Cash with Order

Whilst the use of *Pro-Forma Invoices* is generally to be discouraged, there will be occasions where goods or services to be obtained from a supplier cannot be delivered by that supplier without prior payment. If such is the case, then the following notes and procedures apply.
Educational establishments should note that Pro-Forma Invoices are not proper VAT Invoices. Where goods or services are to be obtained from a supplier issuing a Pro-Forma Invoice, it must be clear that such an Invoice is merely an offer to sell the goods or services requested. If the supplier requires payment of the Pro-Forma before sending the goods or services, this Invoice cannot be input and paid as a VAT Invoice. The supplier should make clear on the Pro-Forma a statement to the effect ‘THIS IS NOT A VAT INVOICE’.

If an educational establishment wishes to process the Pro-Forma, the total amount on the Invoice, including VAT, must be charged against the ledger line from which the order is being placed.

**Example:** Early Learning Centre pro-forma

<table>
<thead>
<tr>
<th>Goods</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>£</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£117.50</strong></td>
</tr>
</tbody>
</table>

If, for example, the ledger line from which the goods are to be ordered was Classroom Supplies, the total of £117.50 will be committed against that line when raising the order on SEEMIS, or submitting the requisition. It is recommended that the order has appropriate wording thereon, such as ‘Please ensure VAT Invoice sent with goods’. The educational establishment can then use ‘Cash with Order’ procedures.

Only when this VAT Invoice is obtained can VAT be reclaimed by Glasgow City Council, and hence by the educational establishment. The mechanism for this is as follows:

i. the educational establishment receives the VAT Invoice, but does not process this.

ii. Per the cluster AFA, the establishment requests a ledger Journal which will charge the VAT Account with the value of the VAT on the Invoice, and crediting the ledger line to which the VAT has been charged.

iii. The journal is then sent to Education and Social Work Services Budget Unit for processing, together with a copy of the VAT Invoice as back-up. The educational establishment will retain the original of the VAT Invoice with the journal request in case of subsequent H.M. Revenue and Customs or Financial Services Audit and Inspection investigation.

iv. The educational establishment will be notified by Budget Unit once the journal is posted, and will then raise a credit note, with the supplier marked as ‘4-part account’, for the VAT amount, against the ledger line from which the order was raised.

1.7 Copy Invoices

Sometimes, when an original Invoice is mislaid, establishments will request a duplicate. This may include the description ‘THIS IS NOT A VAT INVOICE’ stamped on it, and may lead you to think that this cannot be used as a proper VAT Invoice. H.M. Revenue and Customs state that, provided this Invoice otherwise conforms with all the necessary details for a VAT Invoice, and is clearly stamped with our duplicate Invoice stamp, verifying not previously claimed and signed, then it will be acceptable.
Example of a completed VAT Invoice

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Description</th>
<th>Price</th>
<th>Amount exclusive of VAT</th>
<th>VAT Rate</th>
<th>VAT amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Radios SW15</td>
<td>25.20</td>
<td>151.20</td>
<td>94.40</td>
<td>93.30</td>
</tr>
<tr>
<td>4</td>
<td>Personal Stereos PS21</td>
<td>23.60</td>
<td>94.40</td>
<td>17.50%</td>
<td>1.57</td>
</tr>
<tr>
<td>6</td>
<td>Lamps T77</td>
<td>15.55</td>
<td>338.90</td>
<td>9.00</td>
<td>17.50%</td>
</tr>
</tbody>
</table>

Delivery (Strictly net)

Total now due

Terms: Cash discount of 5% if paid within 30 days.

VAT is calculated on the discounted price.

Required features of a VAT Invoice

- Identifying number
- Supplier name, address, VAT No.
- Customer name, address
- Type of supply (e.g. Sale), time of supply, date of issue of Invoice, if different from time of supply
- Quantity and Description of goods or services supplied, sufficient to identify each article
- Rate of VAT and amount charged. Note that if the VAT rates on items are different, the VAT rate applicable to each item should be shown separately. The total VAT is calculated on this Invoice on £338.90 less 5% discount = £321.96 @ 17.5%, which gives VAT of £56.34.
- Rate of discount offered
- Total charge excluding VAT
- Total VAT charge

*VAT is calculated on the discounted price.
2.1 Rules Governing Purchase of Goods by Education Services

**General Rules Governing Purchases made by Glasgow City Council**

VAT Notice 749 ‘Local Authorities and similar bodies’ outlines the rules relating to the purchase of goods and services by a Local Authority. Under these rules, Glasgow City Council is able to reclaim input tax on the purchase of goods and services when the following conditions are met:

1. Glasgow City Council places the order for the goods or services;
2. Glasgow City Council receives the supply of the goods or services;
3. Glasgow City Council receives a VAT Invoice addressed to Glasgow City Council; and
4. Glasgow City Council makes payment from its own funds for the goods and services so supplied.

2.2 Purchases made with Funds Donated to Glasgow City Council

Where Glasgow City Council buys goods from funds which have been donated to Glasgow City Council for specific purposes from, for example, the School Fund, Glasgow City Council can claim refund of the input tax incurred on the purchase provided that Glasgow City Council:

1. Makes the purchase itself, e.g. places the order, receives the supply, receives a VAT Invoice, and makes payment;
2. Retains ownership of the purchase and uses it, or makes it available, for its own non-business purposes; and
3. Keeps sufficient records for the purchase, and the purpose for which it is made, to be easily identified.

**All** of these conditions MUST be met. The conditions are not satisfied if the money given to Glasgow City Council amounts to a consideration for a supply by Glasgow City Council, e.g. if the purchase is ultimately intended to benefit the donor. If such a supply was made by Glasgow City Council, normal VAT rules apply, and if appropriate, VAT output tax must be levied.

All such purchases must therefore be recorded in the School Inventory. However, if there are ongoing maintenance and/or insurance costs, deemed necessary by Glasgow City Council, such costs will be met from the School Fund.
Sale to Children and Young People of Goods Incidental to Education

Glasgow City Council is allowed to purchase certain items, recover the VAT thereon, and resell the items to pupils without adding VAT to the consideration price received. The goods which qualify for this treatment are those which are incidental to education of the children and young people to whom they are sold.

The basic conditions of this scheme are:

1. The sale can only be made in class by the school to its own children and young people;
2. The goods must be sold at or below cost;
3. The goods are incidental to the provision of education forming part of the normal school curriculum and are required for regular classroom use;
4. The goods are not clothing or sports equipment (e.g. Sweatshirts or PE kit);
5. The goods have been purchased under an official school order.

The definition of regular classroom use is one which requires greater clarification. To qualify under this scheme, the items purchased must be portable, and whilst they can be taken home, must be brought to school on at least a weekly basis. For example, drum kits, pianos, digital (electronic) keyboards, rack mounted recording equipment, public address equipment and bulky computer equipment cannot be included within the scheme as they are not items that can normally be carried easily by hand. Examples of items which may qualify are calculators, mathematical and musical instruments, and with recent technology advances, lap-top computers.

Only by applying these tests of portability and regular use can items be considered as part of the normal school curriculum, and not merely as a useful adjunct to home study.

H.M. Revenue and Customs state that they will be monitoring the situation as developments in both computer and musical instrument technology evolve.

In terms of the operation of this scheme, the following points arise:

1. The goods must be purchased under an official school order.
2. The order will be raised against the normal Classroom Supplies line.
3. Once income is received from children and young people for the sale, it must be accounted for using the FD2 system and credited against Classroom supplies (e.g. the same line against which the order was raised).
4. The item sold becomes the property of the child or young person, and on leaving school, they will retain ownership.
Educational Excursions and visits

The following procedures apply in respect of reclaiming VAT on School trips:

1. The school trip must fall within the non-business category to qualify, and be made as part of the agreed curriculum. H.M. Revenue and Customs have accepted that the education curriculum is very wide, and that the definition would encompass most trips which are described as educational.

2. To enable Glasgow City Council to reclaim VAT, the Invoices relating to the trip must be made out to, and payable by, Glasgow City Council, and show the School name to which the Invoice relates.

3. If the School Fund is to be used as a ‘Suspense Account’ for monies collected in respect of school trips, then a clear ‘audit trail’ must be maintained for inspection, if required, by H.M. Revenue and Customs. The audit trail should identify clearly the monies collected in respect of each trip.

4. Invoices in respect of school trips will normally be charged against ‘School Activities’. Monies collected in respect of school trips, including any cheque from the School Fund subsidising the trip, should be paid into Council Funds using the FD2 system, crediting income against the ‘School Activities’ ledger line.

5. A Form EDV/VAT (revised August 2000), should be submitted to General Finance Section, Education and Social Work Services, Wheatley House, 25 Cochrane Street, Glasgow G1 1HL, to allow the Service Director Education to certify that Education and Social Work Services agree that the trip is of educational value and part of an agreed curriculum. The trip does not necessarily need to have a residential element.

In summary, therefore, VAT can be reclaimed on all school trips which fall within the non-business category. The School Activity Budget can still be used to subsidise a school trip as can School Funds. Please note: VAT claims must be restricted to items on which VAT has been charged.

Any enquiries concerning the eligibility of School trips, and requests for Form EDV/VAT should be addressed to General Finance Section on 0141 287 0143.
School Photographs - VAT on Commission

INTRODUCTION

In 1995, Strathclyde Regional Council entered into an arrangement with Photographers to issue self-billing Invoices in respect of the Commission payable to schools for the use of facilities by photographers.

This arrangement has been continued by Glasgow City Council.

The income cannot be regarded as School Fund income. Rather it must be regarded as Glasgow City Council income, as H.M. Revenue and Customs view this commission as a payment by the photographer for use of the school premises. Therefore this income is subject to VAT at the standard rate (17.5%).

As the Executive Director: Education and Social Work Services decided to allow the income net of VAT to remain with the School Fund to be used for the benefit of the children and young people, the school is only required to ensure that the School Fund remits the VAT element of the commission to Glasgow City Council for onward transmission to H.M. Revenue and Customs.

PROCEDURES

Education and Social Work Services have agreed with H. Tempest Ltd. and Colourfoto that they will provide self-billing Invoices for the commission on photographs produced by them.

If another photographer is to be used, the school should ensure that the photographer writes to Eric Borland, at the address noted below, to obtain written authorisation to use the self-billing process, and to obtain the VAT number of Glasgow City Council. The photographer must conform with H.M. Revenue and Customs published conditions for self-billing and must advise Glasgow City Council of the specific conditions applicable to their self-billing scheme operation. Agreement for self-billing will not be given by Financial Services if the published conditions are not fully met.

Any photographer who is not VAT registered is not allowed to enter into a self-billing arrangement with Glasgow City Council.

If self-billing cannot or will not be used by any particular photographer, Education Services (General Finance) will require to issue an account to the photographer for the commission. If this does happen, educational establishments should not remit any money to the photographer until this account has been paid. Note also that if the Photographer is not VAT-registered, Glasgow City Council will require that the Invoice issued to the Photographer in respect of the Commission must contain a VAT element to protect itself against later claims by H.M. Revenue and Customs for VAT on the commission. Income paid into Glasgow City Council Funds through the FD2 system in respect of commissions received by the school must identify this VAT element.

Please Note that all requests regarding self-billing procedures should be referred to Eric Borland in Financial Services based at 285 George Street, Glasgow G2 1DY (0141 287 4858).
Procedures relating to the main suppliers are noted below:

**H. TEMPEST LTD.**

When the photographs have been processed, they will be passed to the school with a sheet headed ‘Delivery Details’ - this shows the value of the photographs passed to the school. It also allows the School to enter the value of photographs actually sold to parents/carers. Once all monies from parents/carers have been collected, the ‘Delivery Details’ sheet should be completed and passed back to the company. NO money should be sent at this stage. H. Tempest Ltd. will then send the school a ‘Payment Requisition’ and a ‘Self-Billing Invoice’. The Payment Requisition indicates how much the school has to remit to Tempest. When this amount has been remitted, the money left should equal the Commission + VAT, the details of which will be shown on the self-billing Invoice. This residue of funds can then be lodged in the School Funds Bank Account.

**COLOURFOTO**

When all monies have been collected from parents/carers, the FULL amount so collected must be passed to Colourfoto. They will then return to the school a Self-Billing Invoice showing the calculation of the Commission + VAT, along with a cheque for this amount. This cheque should then be lodged in the School Fund Bank Account.

**REMITTANCE OF VAT ELEMENT**

Once funds representing the Commission + VAT have been lodged in the School Fund Bank Account, a cheque should be drawn on this account for the VAT element shown on the Self-Billing Invoice. The cheque should be crossed and made payable to Glasgow City Council. The cheque should be lodged in the Council Bank Account using the normal FD2 procedures. The Account coding to be used is:

- **Cost Centre**  
  GF VATC

- **Account**  
  493302

- **Activity**  
  GFVTXE

**N.B.** This coding may change as new codes are required for SAP.

The FD2 form, together with a copy of the Self-Billing Invoice should be returned to General Finance Section, Education and Social Work Services, Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

The original Self-Billing Invoice should be retained by the School Fund for audit purposes.
Sale of Sweatshirts, etc.

A number of schools are now involved in a process of buying items of uniform such as sweatshirts, and reselling these to children and young people. This section sets out the principles to be considered, and the incidence of VAT, in such transactions.

Where items of uniform such as sweatshirts are purchased using Glasgow City Council funds, Glasgow City Council will recover any VAT on the suppliers Invoice, and leave the educational establishment with the cost excluding VAT. If these items of clothing are subsequently sold to children and young people, they are subject to the normal rules of VAT supply, and VAT should be charged where appropriate. The rules governing whether VAT is applicable to the sale are noted below.

**PRIMARY SCHOOLS**

If the items of clothing are supplied as part of the official uniform of a school catering exclusively for young people under 14 years of age, and the garments bear a prominent badge or logo identifying them as part of the official uniform of the school, they may be zero-rated. In this case, the school should not expect to pay VAT on the purchase of the items, and if the items are sold to children and young people of the said school, then no VAT would be charged on the sale.

**SECONDARY SCHOOLS**

VAT will be charged on items of clothing supplied to secondary schools dependent on the size of the garments. Garments are zero-rated if they are both designed for younger children, and not suitable for young people. Only clothing and footwear in sizes up to those suitable for 13 year-olds - as determined by the British Standards Institute, could be zero-rated. Garments are standard rated (currently 17.5%) if they are labelled, or otherwise held out for sale, for body sizes exceeding those of the average 13 year old. The sizes determined as the maximum for zero-rating are:

- **Height** 158cm (62 inches)
- **Chest** 84cm (33 inches)
- **Waist** 71cm (28 inches)
- **Hip** 86cm (34 inches)

Any garments which exceed these sizes must be sold as standard-rated items. Items sold cannot necessarily be zero-rated simply because they were zero-rated when they were purchased. If the items are to be sold as zero-rated, the articles must be identified as being for young children on Invoices or price lists etc.

The income received must be accounted for via FD2, showing the sale price, and VAT where applicable.
Activities of School Fund Holders

It should firstly be stressed that School Funds are not Glasgow City Council Funds, and any decision regarding the need to register the School Fund for VAT purposes is therefore not Glasgow City Council’s responsibility, but that of the administrators of the Fund. However, since it is likely that Education and Social Work Services staff will be in contact with those administrators, it was felt prudent to include these notes as a guide to such personnel in their dealings with School Funds.

In the determination of whether the activities of the School Fund are liable to VAT, it must first be established whether the activities can be interpreted as ‘business’ activities.

The definition of business has a wide meaning. H.M. Revenue and Customs describes business as:

‘Business includes any continuing activity which is mainly concerned with making supplies to other persons for any form of payment or consideration, whether monetary or otherwise. The activity must have a degree of frequency and scale and be continued over a period of time’.

It must be noted that this position is not affected if the consideration charged for the supply does no more than cover the cost incurred by the body making that supply, nor indeed where the charge is less than cost.

Nor do these rules mean that a single activity is non-business. Whilst it is obvious that a fund raising event for which admission is charged and which is run on a weekly basis can easily be construed as a business activity, the fact that such an event is held only once per year does not in itself preclude that event from being a business activity.

**Examples of activities of School Funds and VAT status**

<table>
<thead>
<tr>
<th>Activity</th>
<th>VAT Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>Outwith the scope of VAT</td>
</tr>
<tr>
<td>Tuck shop sales</td>
<td>Liable to VAT</td>
</tr>
<tr>
<td>Sale of sweatshirts</td>
<td>Liable to VAT, depending on size</td>
</tr>
<tr>
<td>Discos</td>
<td>Liable to VAT</td>
</tr>
<tr>
<td>Interest received</td>
<td>Exempt</td>
</tr>
<tr>
<td>Trips organised for staff/pupils</td>
<td>Liable to VAT if non-educational</td>
</tr>
</tbody>
</table>

This list is not intended to be comprehensive. School Fund Treasurers with queries on particular types of income from their activities are recommended to consult Education and Social Work Services, General Finance Section, Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.
REGISTRATION LIMITS

In determining whether a School Fund is liable for registration, the Treasurer should have regard to all sources of income, and the type of income involved, in arriving at the total of the ‘business’ activities of the Fund. As stated above, it is not sufficient to merely ignore income because of the lack of frequency of income generation, or because the income raised is equal to, or less than, the cost of supplying the goods or services. The current annual level of income liable to VAT which imposes a requirement for registration is £60,000, current from 1 April 2005. This limit tends to increase each financial year in accordance with inflation.

Where School Funds organise and collect income from a number of separate sources, any Fund which considers that income may be sufficient to render it liable to Registration may wish to consider separating specific income from the Fund’s activities.