



UNIVERSITY OF
CAMBRIDGE
Finance Division

VAT & Other Taxes

Financial Procedures Manual – Chapter 9

Version History

Version number	Issue date	Comments
5.0	Dec 2018	Converted to new format and links updated. 4.1.1 Education provided by a university for payment is exempt from VAT 4.2.1 If an item cannot be zero rated , it could still be exempt See section 4.1. 4.4 Catering - Is standard-rated except when provided direct to students, or for the attendees of a paid course, conference or seminar when they can be exempted (see section 4.1.2) .

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1. Introduction

It is the responsibility of Heads of Departments to ensure that their department accounts correctly for VAT and, where appropriate, corporation tax.¹

The aim of this guidance is to give a brief overview of Value Added Tax (VAT) and how it works, followed by a more in depth look at how VAT applies to the University. This will include the following topics:

- VAT on income and choosing the correct tax rate to apply to income received;
- What purchases are liable to VAT and what will not have a VAT charge;
- Transactions involving overseas customers and suppliers.

The guidance also covers other tax issues including:

- Duty charges on imports and exemptions from duty;
- Corporation tax issues; and
- Gift Aid on donations.

If you have a query that is not covered by this guidance the [University Tax Team](#) will be happy to deal with issues by telephone or email.

¹ Financial Regulations 2012, regulation 21.1

2. When VAT is charged

VAT is a tax on consumer expenditure. It is charged on goods and services which fall within the scope of VAT. When deciding whether something attracts VAT we have to identify:

- If the transaction is within the scope of VAT; and
- If so, which rate of VAT should be applied to it?

(i) A transaction is considered to be within the scope of VAT if it is:

- a supply of goods or services;
- in exchange for some sort of consideration (normally monetary);
- deemed to be made in the UK or the Isle of Man;
- made by a taxable person (a taxable person is an individual, firm, company etc; who is or is required to be registered for VAT); and
- undertaken in the course or furtherance of business.

If the transaction does not meet all of these conditions it is said to be 'outside the scope' of VAT.

Eg.

A taxi driver provides taxi services to the University. The driver is not VAT registered because his/her annual income is below the VAT registration limits. The driver is therefore not a 'taxable person' for VAT purposes and the charge to the University is 'outside the scope of VAT' and no VAT is added.

(ii) If the transaction is within the scope of VAT, the rate of VAT applicable is ascertained by asking:

Is it specifically:

- exempt (EX);
- zero-rated (ZR); or
- reduced-rate (RR)?

These will be discussed in detail later but if none of the above apply then, by default, the transaction will be standard rated and VAT charged at 20%.

When processing sales invoices on UFS you may see other options for VAT rates displayed, such as EZS, EZG, RG and RS. These are additional codes for zero-rating and their use is explained in the sections 5 and 6.

VAT is also charged on the majority of services purchased from outside the UK and goods purchased from other EC member states. These charges are a self-charging VAT, covered in Sections 10 and 11.

3. How VAT works in the University

The university is registered for VAT and hence is as a “taxable person”. Our VAT registration number is 823 8476 09.

It is also an exempt charity. As an exempt charity it has no charity number. Anyone requesting the number should be advised that we are an exempt charity under Sch 3 of the Charities Act 2011.

The university generates income which may be outside the scope of VAT, VATable, zero-rated or exempt, and cannot normally recover VAT it has had charged on its' purchases, which therefore makes the VAT charge an additional cost.

This can make the VAT issues in the university complicated and difficult to understand.

3.1 University Income

The University is a ‘taxable person’ and as such has to add VAT on to the sale price of all standard rated and reduced rate business transactions it enters into. It does not have to add VAT where the income is ‘outside the scope’ of VAT or if it falls under one of the categories for VAT exemption or zero-rating.

Eg The University sells a second hand computer to a member of staff

- *It's within the scope of VAT because money has been received in return for goods (see 2(i))*
- *There is no exemption or zero-rating available for the sale of a computer to a member of staff (see 2(ii))*

Therefore the sale is standard rated and VAT must be added to the price.

However, much of the income received by the university is either:

- not received in the course of business e.g. research council and charitable research grants and is therefore ‘outside the scope of VAT’; or
- qualifies as being ‘exempt’ from VAT as it is a supply of education.

Where VAT is charged on a supply by the university, the VAT is being collected on behalf of HM Revenue and Customs (HMRC). At quarterly intervals the university pays HMRC the total amount it has collected on their behalf.

E.g.

A University department raises an invoice for £1000 plus £200 VAT making a total of £1,200.

- *The University department will receive the £1000*
- *The accounting system allocates the £200 VAT to a separate account so that it can later be transferred to Revenue and Customs.*

More detail on the VAT treatment of university income is given in section 4.

3.2 University Expenditure

3.2.1 Purchasing

The university pays VAT in the same way as any other business on supplies of goods and services but there are exemptions and reliefs which can apply to some of the university's transactions, because the university is a charity, or research institution for the purposes of the reliefs. More details are given in sections *Typical Purchases in the UK*; *Purchasing goods from the EC*; *Purchasing Goods from outside the EC and Purchasing services from outside the UK*.

VAT is therefore a cost that will need to be taken account of when preparing budgets or business plans. VAT reclaims are available for expenditure on commercial research grants and for purchases used for VATable trading activities.

The financial system automatically reclaims VAT incurred on purchases coded to reclaimable research grants. VATable trading activities can also be set up with a reclaim provided that the Tax team are made aware of the need for a reclaim.

3.2.2 Documentation required

If you are charged VAT by a supplier please ensure that you have the original tax invoice/credit note – photocopied or faxed documents are not acceptable. Also, to be valid, invoices and credit notes should show the following information:

- The supplier's name, address and VAT registration number
- The date of the supply and an identifying document number
- The name and address of the customer i.e. the University
- The type of supply e.g. a sale, loan, hire etc.
- A description of the goods or services provided, their value and VAT status
- The total value, and the total VAT value in sterling

Please note that 'Pro-Forma' invoices are not valid tax invoices, even though they show most of the information above – they are merely a request for payment. The proper tax invoice should be forwarded by the supplier once payment has been made. As a general rule the University should not pay against pro-formas or in advance of the supply being received.

See FPM Chapter 4 -Procurement for more details re advance payments

<https://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures/chapter-4-procurement-procedures/purchasing-cycle-6>

Retailers and other suppliers, who normally deal directly with the general public, have a concession where they do not have to provide an invoice unless the customer asks for one. In general if the supply is less than £250 (including VAT) they will issue a less detailed invoice.

Eg

A restaurant provides its customer with a less detailed invoice, just stating that it is a meal for 4 totaling £75 inc VAT @20% on the 23rd Oct 2011.

To extract the VAT element from any inclusive amount multiply by 20/120 (1/6) i.e. the VAT included in £75 is £12.50

This is acceptable as long as it shows the supplier's name, address and VAT number, the time of supply, a description of the goods/services provided and for each VAT rate applicable, the total amount payable including VAT.

4. Sales/income in the UK

For something to be potentially liable for VAT it has to be a *supply* of goods or services. The word supply is defined as providing something (goods or services) in return for payment. If there is a supply of goods or services it would normally be liable to VAT but there are exemptions and reliefs available.

The following section gives examples of which VAT rate should be applied to some of the more common transactions the University enters into. This list is not exhaustive. The flow chart at Appendix B may also assist in the choice of VAT rate.

Please also remember that Financial Regulation 25.1 also specifies that:

'Apart from core teaching, research and the organisation of conferences, when a new income-generating or trading activity is set up (whether in the UK or abroad), the Head of Department must consult the Taxation Section beforehand to consider the VAT implications and whether the activity constitutes trading which might be subject to Corporation Tax.'

4.1 Exempt sales

4.1.1 Education

Education provided by a university for payment is exempt from VAT. This is the main VAT exemption for income received by the University.

'Education' includes not only the traditional supplies of education such as educational provision to undergraduate students, but all supplies of education. So the exemption includes income received from:

- seminars;
- conferences;
- short courses and lectures;
- sporting and recreational courses.

It also applies whether the recipient of the education is a registered student of the University or a private individual attending a seminar or a business buying courses.

Eg.

The course fees earned for the provision of a short online course to the general public are exempt from VAT.

Whereas, the provision of lecture or talk at a free public event is outside the scope of VAT.

4.1.2 Supplies closely related to education

In addition to the main supply of education, exemption is also available for income received from supplies which are *closely related* to the supply of education and which are supplied either:

- a) directly to the student; or
- b) to another University.

The term ***closely related*** generally refers only to goods and services that are for the direct use of the pupil, student or trainee and necessary for delivering the education to that person. This includes, for those attending the University or participating in a course, conference or seminar:

- any accommodation;
- catering;
- transport;
- the photocopying of course materials;
- supply of exam calculators;
- charges for the use of computers by a student.

However, there are some areas where the exemption does not apply. For example, alcohol is not seen as being a closely related supply. A charge for attending a conference which includes a meal may well have a VATable element which relates to the wine served at the meal.

There are also some areas where the exemption cannot be applied because it does not fall within the rules even though the ultimate beneficiary of the sale may be a student.

Eg

- *A charge to a lecturer (rather than the lecturer's institution) for photocopying lecture notes cannot be exempted because although the notes will be used by the students, the lecturer is not another University, College or School.*
- *A charge to another University, College or School for a lecturer's use of a computer cannot be exempted because the user is a lecturer not a student.*

Also if the University were to charge a student for something that was not related to their education this would be VATable.

4.1.3 Room hire

Room hire is exempt from VAT unless the University has "opted to tax" the property in which case the room hire will be standard rated. Currently the only three buildings the University has opted to tax are

- the Computer Laboratory
- the Music School
- the ADC Theatre.

The hire of a room in one of these three buildings would therefore be standard rated.

Often a charge will be made to cover additional costs incurred by the University in making the room available such as the cost of overtime for staff. Such charges can be exempted, as they are simply part of the overall charge for room hire. If equipment is supplied as part of the overall charge this will also be included in the exemption.

4.1.4 Services provided by medically qualified staff

Any **medical services** provided by a medical doctor are exempt. This also applies to medical services provided by registered nurses and dentists. However, if a medical doctor provides a non-medical service this would be liable to VAT. This includes medical reports (which are considered to be a form of consultancy) e.g. DNA test reports or reprographic reports.

4.1.5 Postage

Stamps/postage charges are exempt. This will normally arise where a department is recharging franking machine costs to a member of staff or an external body.

However, if you make a charge for postage which is connected with a supply of goods or services (e.g. posting a report as part of a consultancy service) then the postage charge will have the same liability as the goods or services provided.

Courier charges are VATable, unless the item is going outside the EC in which case they would be zero-rated.

4.2 Zero-rated sales

4.2.1 Books and other printed matter

The supply of some printed items are zero-rated whilst others are standard rated. Below is a list of some of the zero-rated items and standard items

Zero-rated items

- books, booklets, brochures, pamphlets, leaflets
- Newspapers, journals, periodicals
- Music (printed, duplicated or manuscript)
- Maps, charts and topographical plans

Standard-rated items

- posters
- microfiche, microfilm,
- Note books, pads and paper
- photographs

Library fines are also zero-rated because they are for the extended hire of a book.

If an item cannot be zero rated, it could still be exempt. See section 4.1.

4.2.2 Food

There are a number of VAT rates applicable to the sale of food by the University. The underlying principle is that food (not catering) is zero-rated, but some foods, including ice cream, confectionary, non-alcoholic drinks and crisps are liable to VAT at 20%.

NB: Alcohol is always standard rated irrespective of whom it is sold to.

HM Revenue and Customs define **catering** as food consumed on the same premises at which it is sold, or hot takeaway food. Food that is provided as catering is standard-rated unless the catering is being provided to students.

Food or catering provided to students is exempt as a **closely related** supply to the education provided, see Section 4.1.2. Students are anyone who is at the University for a course, seminar or similar, not just under or post grads.

Sandwiches sold for consumption off premises are not classed as catering and should be sold as zero-rated.

4.2.3 Advertising

Advertising sold to another charity is zero-rated as long as the charity you are selling to provides a certificate to claim zero-rating. The certificate should look something like the one shown at Appendix D and must be retained as evidence to support the zero-rating. Sales of advertising to non-charitable organisations are standard rated.

4.2.4 Sales of medically exempt items (zero-rated)

Other universities buying goods from us may claim medical exemption provided that they meet all the conditions. To do so they need to:

- provide the University with a medical exemption certificate; and
- meet the conditions set out in the medical exemption purchasing section of this guide – see section 8.12.

Although called 'exemption' for VAT purposes it is actually a zero-rating and the transaction needs to be entered into the Accounts Receivable module on UFS with the tax code of ZR - Zero Rated

Please see section 8.12 of this guide for further information on what supplies are eligible for Medical Exemption. We have a responsibility as a supplier to make sure that goods are eligible for relief before accepting that the exemption certificate can be applied. If a department incorrectly accepts a certificate it will be liable to meet any additional liability.

4.3 Reduced-rate sales

Reduced-rate VAT is a lower rate of VAT payable only on certain goods or services. The current rate for Reduced Rate VAT is 5%.

The main items that the University deal with that are reduced rate are:

- domestic fuel or power;
- women's sanitary products;
- contraceptive products.

4.4 Standard rate sales ie. other sales

Anything that doesn't fall into the categories of being outside the scope, exempt, zero-rate or reduced-rate is standard rated.

It is not possible to produce a list of all standard rated items as it is any goods or services which are not explicitly chargeable at another rate of tax. Below is a list of some of the more common standard rated goods or services that the University might be involved in.

Common standard rated goods or services

Catering	Is standard-rated except when provided direct to students, or for the attendees of a paid course, conference or seminar when they can be exempted (see section 4.1.2)
Alcohol and certain foods	Alcohol is always standard-rated, as is ice cream, confectionery, non-alcoholic drinks and crisps.
Private purchases	Private purchases are standard-rated unless the goods/services being brought have their own VAT relief, e.g. in the case of a staff member buying a book the VAT would be zero-rated as books are zero-rated. Goods cannot be sold 'medically exempt' to members of staff.
Stationery	Sales of stationery items are standard rated unless sold to students when they can be exempted as they are seen as closely related to the supply of education.
Photocopying	Sales of photocopying items are standard rated unless sold to students or for use on a course when they can be exempted as they are seen as closely related to the supply of education.
Advertising	Advertising is standard rated unless sold to another charitable organisation when it can be zero-rated.
Telephone charges	
Photographs	
Posters	
Videos	
Royalties (UK)	
Consultancy	
Second-hand equipment	
Supplies of staff	
Charges for using facilities (not room hire)	

If you are in any doubt as to which rate of tax should be used for your transaction then contact the University Tax Team .

5. Sales to members of the EC

The rules concerning sales to EC countries are different depending on whether you are selling goods or services. It is important to remember that not all goods and services supplied to someone from another country qualify for zero-rating. See Appendix A for those countries which are included within the EC.

5.1 Goods to businesses and individuals in the EC

If you are selling goods to other EC countries and the customer you are selling to provides you with their VAT number then the goods will be zero-rated provided that the goods are sent to that country (UFS code EZG).

If the customer you are selling to doesn't have their own VAT number then the goods must be treated as if you are making a sale within the UK. This means that UK rates will still apply.

So, if you were selling a computer to a customer in France and they were unable to provide a VAT number you would have to charge VAT because a computer is standard-rated under UK VAT law.

If, however, you were selling a book rather than a computer, you would still zero-rate the supply as books are zero-rated under UK VAT law. However, you would use the UFS tax code ZR rather than EZG.

5.2 Services to businesses in the EC

These are normally zero-rated (UFS code EZS) unless they are one of the services listed below.

Services to businesses with different rules	
Accommodation, Catering, Passenger transport, Services relating to land	Will be treated as taking place where the activity is located and, assuming in most cases the activity will take place in the UK, the normal UK VAT rules will apply – see Section 4.
Education	Should be entered on UFS as EX- Exempt irrespective of the location of your customer.

Remember you must have the customers VAT number if you want to zero rate supplies of goods and services to the EC.

5.3 Services to individuals in the EC

All sales to individuals within the EC will be treated as if they are supplied in the UK, and the normal UK VAT rules will apply.

6. Sales to the rest of the world

The rules concerning sales to countries outside of the EC are different depending on whether you are selling goods or services and whether the recipient is in business or not.

6.1 Goods to businesses and individuals outside the EC

If you export goods to a customer outside the EC, your supply is zero-rated as long as you obtain a proof of export. This can be a certificate of posting, air waybill etc. When raising an invoice on UFS please use the VAT code 'RG - Goods to ROW'

6.2 Sales of services to non - EC businesses

The rules for selling services to businesses outside of the EC are exactly the same as the rules for selling services to businesses in the EC laid out above except for the hire of goods, where if the items are hired for use in the UK they will be subject to UK VAT rules.

For non-EC business, there is no requirement to provide the buyer's VAT number. When raising an invoice on UFS please use the VAT rate 'RS - Services to ROW'.

6.3 Sales of services to non - EC individuals

Where services are supplied to individuals outside the EC the following type of sales will be zero-rated, and the VAT code 'RS - Services to ROW' should be used when raising an invoice on UFS.

- Transfers and assignments of copyrights, patents, licences, trademarks and similar rights
- Advertising
- Consultancy
- Hire of goods where they are used and enjoyed outside the EC

All other sales of services to non-EC individuals will be treated as if they were supplied in the UK, and the normal UK VAT rules will apply.

7. Common errors in the treatment of VAT on income

Be very careful when dealing with income that is described by any of the following headings; some of the terms are commonly interchanged and can mean different things to different people.

- Donations
- Contributions
- Grants
- Recharges
- Re-imbursments
- Refunds

In all cases it is essential to establish exactly

Who is doing what, to whom, where and why!

7.1 Donations and contributions

When the University receives donations or contributions they are outside the scope of VAT as there is no supply. These types of income are where the contributor/donor gives the money for no return of goods or services from the University i.e. the donor receives no benefit.

It is important to establish that the donor or provider of the contribution receives nothing in return. Income is often described as a 'contribution' or 'donation' when in fact the provider receives a supply of services in return for their contribution. Examples of income sometimes incorrectly called contributions or donations are:

- Income received for use of the University's equipment
- Payment received for the use of our secretarial staff
- Money received towards the cost of a conference where the funder gets advertising in return

Describing income as a donation does not obviate the need to charge VAT if the substance and reality of the transaction is that money has been given in exchange for the receipt of a benefit.

It is acceptable for the donor to be recognised for their gift, e.g. a small plaque put on the wall, or a building named after them. However, if the donor's logo is on display, or other benefits are received, then the income is probably not a donation, rather sponsorship/advertising.

Please refer to Appendix C to help decide if money received is a true donation/contribution. If in doubt please contact the University VAT department.

7.2 Grants

When the University receives income from a sponsor for research the money should be allocated to a specific research grant and routed through the Research Operations Office. Income in relation to other types of grants may be paid direct into a departmental account.

If the income is not for the purposes of research the same principles will apply as for donations/contributions, and any benefits must be determined in order to work out the VAT rate to apply.

If the grant is a 'research grant' the VAT liability will be determined by the Research Operations Office and set up accordingly in the research grant module on the UFS system. Invoices to request payment for research grants are dealt with directly by the Research Operations Office.

Further guidance is available in chapter 14 of the Financial Procedure Manual:
Accounting for Donations & Grant Income.

<https://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures/chapter-14-accounting-donations-and-grants>

7.3 Recharges

A recharge occurs when the initial supply of goods/services was between the supplier and the University. The University then recovers all or part of the costs from a third party. This recovery is a new supply by the University to the third party.

The key indicators that this is a recharge of goods or services are:

- The contract is between the supplier and the University (e.g. a purchase order, a formal contract - remember these may be verbal)
- Any dispute regarding the goods/services is between the University and the supplier or the University and the third party. The third party would not have any legal redress against the original supplier i.e. we took ownership of the goods.
- The supplier will have made any invoice out to the University rather than to the third party.

In these cases the source of funds will always be GAAA, an appropriate L transaction code should be used and the VAT liability of the supply to the third party will be determined by the nature of the onward supply. See sections 4 to 6 for VAT rates on supplies.

7.3.1 Recharges to staff and students for their private use of University goods, facilities and services

Common examples of this are the use of the photocopier and private use of the telephone. On each occasion there is a supply of goods or services to the individual and the VAT will be dependent on what the supply is and who it is to. See section 4 for VAT rates on supplies.

7.3.2 Recharges to staff for private items purchased

Sometimes private purchases are made by staff through the University so they can benefit from the discounts that the University receives from the supplier, e.g. computers, office supplies. This is allowed but the full cost to the department (including an administrative charge to cover the processing costs) must be charged to the individual.

- *If this occurs on a regular basis please contact the University Tax Team as it may be possible to reclaim VAT incurred on the original purchase.*
- *If you do not recharge at the full cost these will be classed as a taxable benefit and must be recorded on a P11D return at the end of the year.*

If the University is invoiced for the goods then there are two supplies:

- (i) The initial purchase by the University from the supplier; and
- (ii) The supply by the University to the staff member.

- Unless you have a specific trading account with a full VAT recovery on purchase costs, the value of the supply is the original cost of the item including VAT (gross cost) plus the administrative charge.
- If you have an appropriate trading account with a full VAT recovery on costs, then the value of the supply is calculated on the net cost of the item plus the administrative charge.

The full value of the income will be standard-rated unless the item can be specifically zero-rated as in the case of books. See section 4 for VAT rates on supplies.

7.3.3 Recharge of an employee's travel expenses to a third party

If this is part of an overall charge by the University to the third party for the services of an employee e.g. for a talk or lecture, the VAT rate is determined by the type of supply and who it is to. See section 4 for VAT rates on supplies.

If there is no fee paid other than the travel costs see paragraph 7.4.1 for further guidance.

7.4 Reimbursements

The University sometimes pays for supplies on behalf of other people where it is not contractually obliged to do so. However, the University will ask for these costs to be reimbursed by the third party.

These charges are 'Outside the Scope' for VAT purposes as there is no supply from the University; the contract is directly between the supplier and the recipient.

Eg The University may pay for an employee's private use of a mini bar because it is included in a hotel's invoice along with legitimate business expenses e.g. the accommodation.

When paying the invoice the private costs should be entered using the tax code 'No UK VAT' and the account code should be:

- Source of funds: 0000 (the balance sheet) and
- Transaction code: UNAA (other debtors)

When the individual reimburses the University it should be for the exact amount of expenditure incurred by the University and offset against the same account code.

This should be entered using the tax code 'OS - Outside the Scope'

Please note that re-imbursements are not the same as private purchases because:

- The miscellaneous private expenses that the individual has purchased were not pre-booked/ordered by the University and there is no contract between the University and the supplier; and
- If an item is in dispute with the supplier it is up to the individual to resolve.

7.4.1 Reimbursement of travel expenses by a third party – no fee for services

Where the staff member has supplied, in the University's name, a third party with a service (e.g. lecture, talk, speech) free of charge, there is no supply between the University and the third party. However, the third party has reimbursed the travel costs so that the University is not 'out of pocket'. When recording the income on UFS it is 'outside the scope' of VAT and it should be coded to:

- Source of funds: EF** (general donations)
- Transaction code: LFAA (donations - miscellaneous)

7.5 Refunds (money received from suppliers)

Sometimes we will physically receive a cheque back from a supplier either as a result of a refund or a rebate/discount allowed and the following paragraphs explain what the correct VAT treatment should be.

7.5.1 The goods/services were defective/not received or there was an overcharge on the invoice

In these cases the money should be accompanied by a credit note that will be processed through the Accounts Payable module. The money received should be recorded in Accounts Receivable module against the same account codes as the credit note, i.e. the original expenditure code. This should be given the same VAT code as original invoice.

7.5.2 There was an overpayment

In this scenario we may not receive a credit note as it is probably a processing error on our part. In this case a debit note will be raised by the Accounts Payable team and processed through the Accounts Payable module. The money received should be recorded in the Accounts Receivable module against the same expenditure account codes as the debit note, using the same tax code as the original invoice.

7.5.3 They have given us a rebate/discount on our purchases

In this scenario the money is processed in the Accounts Receivable module only. This is coded to the same source of funds that is used for expenditure but it uses the transaction code LLAA (Discounts taken) or LLAC (Rebate on drugs purchases). The tax code 'O/S- Outside the Scope' should be used.

7.6 Bench fees

An area that often causes confusion is bench fees. These are payments made to the University for use of the facilities which may include the use of consumables within a lab.

If you are making a supply of consumables only this is a supply of goods which will be exempt if supplied to a student and standard rated if supplied to any other body.

Otherwise supplies of bench fees to individuals will be exempt if the individual is a student as a closely related supply of education or VATable at the standard rate if the individual is a visiting scholar, irrespective of where they 'belong'.

The decision as to whether a supply is closely related to the provision of education can be subject to interpretation and in cases of doubt you should seek advice from the University Tax team.

If the bench fee is charged to a business in the UK the charge will be taxable at the standard rate (SR20%). However, if the business is outside the UK, including other Universities, the charge will be zero-rated (use code EZS for the EC or RS for countries outside the EC).

8. Typical purchases in the UK

8.1 General

Some products are always charged without VAT, namely:

- Books
- Human blood and organs
- Insurance
- Non-VAT registered suppliers
- Stamps/franking machine charges
- Travel tickets

In addition, some purchases are usually charged without VAT to the University, these are:

- Food
- Hire of rooms

The University is also able to purchase certain items (that would normally have VAT charged on them) without VAT due to its charitable status. These include:

- Advertising
- Catering and accommodation
- Goods for the disabled
- Medically exempt purchases

For more details on any of these purchases, and the processing of invoices relating to business entertainment or expenses, please refer to relevant pages in this section.

The code for entering most purchases charged without VAT is 'No UK VAT'. This is irrespective of whether the supply is zero-rated, exempt or outside the scope of VAT. However, this does not cover medically exempt purchases which should always be entered on UFS using the tax code ME0% (please see Medically Exempt Purchases).

For purchases from outside the UK, you may have to apply a self-charge VAT. The accounting mechanism and tax codes to use are covered in sections Purchasing Goods from the EC, Purchasing Goods from Outside the EC and Purchasing Services from Outside the UK.

8.2 Advertising

As a charity the University can claim VAT relief on certain advertising costs. This includes advertising on any medium which communicates with the public such as television, cinema, billboards, the sides of vehicles, newspapers and printed publications. The important factor is whether the advertisement is placed on someone else's time or space. If it is not there will be no scope for zero-rating. Relief is claimed by giving the supplier the certificate at Appendix D.

8.3 Books

Books are zero-rated and therefore no VAT is charged on the purchase. This includes not only books but other printed material as well including booklets, brochures, pamphlets, leaflets, newspapers, journals, periodicals, music and maps. It does not cover electronic books.

8.4 Business entertainment

The University is not allowed to recover any VAT on business entertainment and it should not be entered as a separate item on the UFS system, the whole invoice amount should be entered as the gross amount and processed as 'No UK VAT'.

8.5 Catering and accommodation

Catering (see definition at 4.2.2) and accommodation is exempt if it is:

- provided by a College or another educational establishment to the University; and
- the University will use the supplies for an educational conference or teaching; and
- the catering/accommodation is for the direct use of the student or attendee.

The exemption would not apply where the accommodation is provided by a body that is not a College, even if it is for use by students, or where the use is not by students. The following examples will give you some idea of when educational items can be exempted and when VAT will be charged for them.

1. *If you held a staff meeting in a college it would be standard rated as the meeting is not for the direct use of students.*
2. *If you organise a conference and the conference provider bills you for rooms, food including wine for the delegates, and charges you for videoing the event.*
 - a) *If the conference is at a College then:*
 - i) *The rooms and the food would be exempt from VAT as they are for the direct use of the students.*
 - ii) *The wine would be VATable as alcohol is always standard rate*
 - iii) *The videoing would also be charged at the standard rate of VAT, as it is not for the direct use of the delegates.*
 - b) *If the above conference was not booked with a College but through a College subsidiary company or a private company then the whole charge would be standard rated.*

Colleges sometimes ask for a certificate to confirm the University's 'eligible body' status and that the purchases are for the students in association with a conference, before agreeing to exempt the supply.

8.6 Expenses claims

Employee's expenses claims are usually processed as 'No UK VAT' and the VAT not separately identified. There are two exceptions to this.

- a) Where the supply is for a high VAT value and the invoice from the supplier is made out to the University. In this case the expenses claim is processed in the following way:
 - The employee completes an expenses claim clearly identifying the VAT charged on the invoice and attaches the original invoice from the supplier.
 - The University reimburses the employee and processes the payment on UFS as a SR20% invoice, identifying the VATable item(s) separately.
- b) Where a claim includes foreign taxes and is to be reimbursed from an EC Research Grant. These taxes will need to be:
 - identified as a separate item line on UFS;
 - coded to somewhere other than the grant; and
 - 'No UK VAT' applied to all lines.

Please refer to FPM Chapter 19: Research Grants for further information
<https://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures/chapter-19-research-grants>

8.7 Food

Food (not catering) is usually zero-rated and should be entered on UFS using the tax code 'No UK VAT' but, there are a few exceptions on which you will be charged VAT at the standard rate – see section 4.2.2 for standard rated food items.

8.8 Goods for the disabled

Certain supplies of goods and services to the disabled are eligible for VAT relief. In order to be able to claim the relief you will need to issue a certificate of eligibility to the supplier of the goods or services. This certificate can be found in Appendix E of this guide, and 'No UK VAT' should be used as the tax rate on UFS

Included within this relief are:

- Adjustable beds, chair lifts, hoists and sanitary devices;
- Auditory training aids eg. hearing loops;
- Medical and surgical appliances;
- Other equipment and appliances designed solely for use by disabled people;
- Parts and accessories designed solely for use with the goods listed above;
- Repair and maintenance of goods listed above;
- Installation of goods of goods listed above;

- Providing, adapting, or extending a washroom or lavatory for use by a person with disabilities;
 - Constructing ramps or widening doorways to facilitate entry or movement within a building.
-

8.9 Hire of rooms

If you hire a room then room hire is normally exempt from VAT and this should be entered onto UFS using the tax code 'No UK VAT'. There are two exceptions to this:

- The person/company charging you for the room may have opted to charge VAT on the hire of the room and have an agreement in place with HM Revenue and Customs to do this. In this case VAT will be charged.
- If a room is hired for the purposes of catering or for sleeping accommodation VAT will be charged.

Eg. If you went to a hotel and hired a room for a meeting then it would normally be exempt. However, if you hired the room for an event with catering (for example a staff party) then it would be taxable.

8.10 Human blood and organs

Human blood and products for therapeutic purposes made of human blood, human (including foetal) organs or tissue for diagnostic or therapeutic purposes or medical research are exempt. Therefore, no VAT is charged on the purchase and these purchases should be entered as 'No UK VAT' on UFS.

8.11 Insurance

Insurance is exempt from VAT though it is liable to another tax called Insurance Premium Tax (IPT). IPT should be treated as part of the overall cost of the insurance and not separately identified or treated as VAT and the tax code entered as 'No UK VAT' on UFS.

8.12 Medically exempt purchases

Departments can issue **medical exemption certificates** when they are purchasing certain types of equipment for a qualifying purpose. This means, if the certificate is accepted by the supplier, that they won't charge any VAT on the purchase.

On UFS the tax rate to use is ME0%. If this tax rate is selected, the system will produce an exemption certificate, or you can produce your own certificate using a copy of the template at Appendix F.

When making medically exempt purchases from outside the UK, you should always select ME0% as the tax code over any of the codes relating to acquisition or reverse charge tax (as detailed later).

Before issuing a medical exemption certificate for purchases of equipment there are three tests which must be satisfied. These are listed in the table below.

The three tests for medical exemption	
The goods must be purchased by an <i>eligible body with charitable funds</i> .	The University is an eligible body and any funds held by the University are charitable and therefore this test will always be met even when the funds originally came from a commercial sponsor.
The goods must be <i>qualifying equipment</i> .	Qualifying equipment which is capable of description under one of the following headings: <ul style="list-style-type: none"> • Medical equipment • Scientific equipment • Computer equipment • Video equipment • Sterilising equipment • Laboratory equipment • Refrigeration equipment
The goods must be used for a <i>qualifying purpose</i>	The goods are to be used (not necessarily wholly) for medical or veterinary research, training, diagnosis or treatment.

The exemption also includes parts and accessories of qualifying equipment.

Medical exemption can also be applied to some substances and medicinal products – see ‘e) Consumables’ below

a) **'Equipment'** means goods with some durability although certain disposable items, such as syringes that are designed to be used once only, may still be equipment. Liquids, powders, granules and other bulk materials are not equipment for these purposes and are not covered by this relief. Consumables, such as chemical reagents, fuel, ink, medicines, paper and sterilising fluids are not covered by this relief either, although medicines and chemical reagents may come within other reliefs – see below.

b) **What comes within each category of qualifying equipment?**

Medical equipment	Items designed for use in the diagnosis or treatment of patients. This covers a wide range of goods from simple items like bandages and tongue depressors to complex machinery such as x-ray machines and scanners.
Scientific equipment	Equipment which performs a scientific function, not equipment which works on a scientific principle. It covers precision measuring equipment, analytical equipment for example, thermometers and weighing machines.

Computer equipment	<p>Computer hardware including servers, screens, keyboards, disks. Computer software and licences to use programs are services for VAT purposes and are therefore not a supply of equipment but see '<i>d) Services supplied in connection with...</i>' below.</p> <p>Machinery or other equipment which is operated by a computer or which has computerised components is not computer equipment.</p>
Video equipment	Covers video recording and playback.
Sterilising equipment	Includes autoclaves and other specialised equipment using steam or other high temperature processes. It does not cover microwave ovens and other cooking appliances even if these can be used to sterilise.
Laboratory equipment	Covers goods designed for use in a laboratory. This includes test tubes and other laboratory glassware, Bunsen burners, fume cupboards, laboratory benches and specialised sinks and catchpots. Ordinary cupboards, lockers, seats and other furniture are not laboratory equipment even if supplied for use in a laboratory. Provided that equipment comes within this category there is no requirement that it must be used in the laboratory.
Refrigeration equipment	Includes all cooling and freezing equipment whether of an industrial type, special design for specific purpose or the common domestic fridge.
Parts	Integral components without which the equipment is incomplete.
Accessories	<p>Optional extras which can be used to improve the operation of the equipment or enable it to be used, or to be used to better affect, in particular circumstances. This would cover for example, a printer for use with a computer, a specially designed camera for use with a microscope or a rack for holding test tubes.</p> <p>Articles not covered are those which have independent uses such as television sets, or accessories to accessories, such as filters for cameras which are themselves accessories to microscopes.</p>
c) <u>What are the qualifying uses?</u>	
Medical or veterinary research	Original research into disease and injury to human beings or animals.

Medical or veterinary training	Covers the training of doctors, nurses, surgeons (including dental and veterinary surgeons) and other professionals involved in diagnosis or treatment. The overall programme of training must include the physical application by the students of theoretical knowledge. The teaching of subjects like biology and zoology where there is no practical medical involvement with patients is not regarded as training.
Medical or veterinary diagnosis or treatment	The diagnosis and treatment of a physical or mental abnormality by a medical or paramedical practitioner or a veterinary surgeon.

The relief is not for medical, scientific etc. equipment that is to be used for general biology studies, environmental research or research into animal husbandry or food production methods. Other non-qualifying purposes include administrative record keeping, entertainment, general comfort and security.

d) **Services in connection with medically exempt equipment**

The following supplies of services in connection with qualifying equipment will also be eligible for exemption:

- the hire of eligible equipment;
- the services of repair and maintenance, whether under maintenance contracts or individual one-off repairs, of goods eligible to be purchased under the relief and owned by an eligible body; and
- the supply of certain computer software (a licence).

Computer software and licences to use software may only be zero-rated if they are solely for use in medical research, diagnosis or treatment. This category is more restrictive than for qualifying equipment as it does not include any veterinary use or medical training use.

e) **Consumables**

These can be bought VAT free by issuing a medical exemption certificate for:

- substances used directly for synthesis or testing in the course of medical or veterinary research; and
- medicinal products for use in medical or veterinary research or treatment.

Note that *substances* cannot be used in treatment or training and *medicinal products* cannot be used in training.

List of Medically Exempted goods

Please see Appendix G at the end of this guide for a list of Medically Exempt goods. This list is not exhaustive.

8.13 Non-VAT registered suppliers

If we purchase something from a supplier who is not registered for VAT (normally because their turnover is too low), then they will not be able to charge the University VAT and hence the expenditure is entered as 'No UK VAT' on UFS.

8.14 Stamps/franking machine charges

No VAT is charged on stamps or franking machine charges. See Goods and Services charged without VAT in the UK.

8.15 Travel tickets

Passenger transport eg. rail fares, air tickets are zero-rated and no VAT is charged on the purchase. See Goods and Services charged without VAT in the UK.

9. Accounting for goods and services from inside the UK, charged without VAT

The tax code for entering all purchases charged without VAT (within the UK) on UFS is 'No UK VAT'. This is irrespective of whether the supply is zero-rated, exempt or outside the scope.

This does not cover medically exempt purchases which should always be entered on UFS using the tax code ME0% (please see section 8.12).

For purchases from outside the UK you may have to apply a self-charge VAT. The accounting mechanism and tax codes to use are covered in sections 10 and 11.

10. Purchasing goods from the EC

If goods are purchased from another EC member state (see Appendix A for a list of EC members) and are brought into the UK then the supplier should not charge VAT provided that the supplier is advised of the University's VAT number (823 8476 09). However, this is not as beneficial as it might seem at first, because if the goods would have been VATable if purchased in this country then the University is required by law to charge itself VAT at the UK rate of 20%. This tax is called acquisition tax.

To enter an EC invoice on CUFS you will need to enter the amount of the invoice, specify £0 in the tax amount box and attribute the invoice to the tax code of EC20%.

So if you have an invoice for £100

- *Enter £100 in the invoice amount box and £0 in the tax amount box.*
- *Select EC20% as the VAT rate*
- *Code and 'calculate tax' as normal*
- *The system will automatically calculate the acquisition tax lines.*

This VAT charge will only apply to purchases from Europe if the goods that are being bought are VATable in the UK. Below are examples of common purchases of goods from the EC and the VAT rate to choose.

A book bought from France.

No self VAT charge applies because books are zero-rated in the UK. On CUFS you should select the VAT rate 'No UK VAT'.

A purchase of goods qualifying for medical exemption.

No self VAT charge is necessary because items purchased using the medical exemption are zero-rated and no VAT is charged in the UK. You should select the tax rate ME0% on CUFS.

Tissue for medical research.

No self VAT charge applies because this is an exempt supply if made in the UK. On CUFS you should select the VAT rate 'No UK VAT'.

You will need to provide the University's VAT number (GB 823 8476 09) or the supplier will charge you VAT at the rate applicable in their country.

10.1 Goods not physically brought into the UK

If goods are purchased which will not be physically brought into the UK, then the supplier should charge VAT in their country. This VAT must not be separately identified when the invoice is coded to CUFS.

10.2 Copy invoices to VAT section

The University has to make a special statistical return to HM Revenue & Customs for all goods purchased from other member states which are brought into the UK. It is called an Intrastat return. In order to complete the necessary details on this form information which is normally shown on an invoice but which is not held in CUFS needs to be recorded. Departments should therefore send copy invoices for any of these goods to the Finance Division, addressed to:

The Intrastat Assistant,
The Tax Section, Finance Division,
Greenwich House,
Madingley Rise, Madingley Road.
Cambridge CB3 0TX

11. Purchasing goods from outside the EC

When buying goods from countries outside the EC you will not get charged VAT by the supplier. However, both VAT and duty will be applied when the item comes through Customs at the port of entry (if applicable) and is usually charged via your import agent.

There are some reliefs from paying duty and VAT that the University may be able to benefit from. Details of the reliefs are set out in section 13.

If any VAT or duty relief is applicable, the agent must be informed and provided with the relevant certificate before the goods arrive in the UK. This will ensure that the correct documentation is correctly completed before the point of import, and no VAT and/or duty charged by HMRC.

You should use the VAT code 'No UK VAT' for the suppliers invoice and SR20% for the import agent's invoice on UFS.

See Accounts Payable guidance for processing import agent invoices
https://www.finance.admin.cam.ac.uk/files/ap_impagnt.pdf

NB: The University does not have a VAT Deferment account and under no circumstances should departments set one up.

12. Purchasing services from outside the UK

If services which are not on the excepted list below are procured from outside the UK, the supplier should not charge VAT. In the case of services from the EC this is also provided that the supplier is advised of the University's VAT number (GB 823 8476 09).

As with goods, this is not as beneficial as it might seem because the University is required by law to charge itself VAT at the UK rate of 20% if the services would have been VATable if purchased in this country. This tax is called *Reverse Charge VAT* ("Services Tax" on UFS).

To enter an invoice for services bought from outside the UK on UFS you will need to enter the amount of the invoice, enter £0 in the tax control box and then attribute the invoice to the tax code of 'Services Tax'.



So if you have an invoice for £100

- *Enter £100 in the invoice amount box and £0 in the tax amount box.*
- *Code the invoice lines as appropriate and select Services Tax as the VAT rate*
- *When system calculates tax it will automatically generate the reverse charge VAT lines.*

Examples of common service purchases in the University and the VAT rate to choose.

Electronic media

If electronic media is purchased from outside the UK you will need to apply the reverse charge tax as this would be a taxable supply if supplied in the UK. Services Tax should be selected on UFS when processed.

Research supplied by an other overseas person

This is subject to VAT if supplied in the UK and therefore you should apply the reverse tax charge. Services Tax should be selected on UFS when processed.

As with EC goods, you will need to provide the University's VAT number (GB 823 8476 09) or the supplier will charge you VAT at the rate applicable in their country.

This VAT charge will only apply to services from outside the UK if the services are VATable in the UK, or if they are not one of the following excepted services.

12.1 Excepted items – no reverse charge VAT applicable

- Services relating to land.
- Passenger transport.
- Right of admission to cultural/educational events including conference, seminar and course fees.
- Catering services.
- Hire of goods used outside the EC.

13. Duty Relief

When goods are bought into the EC from the rest of the world a tax called 'duty' is normally charged on the value of the goods (normally the purchase price). The duty applicable is calculated as a percentage of the value of the goods, but the percentage varies depending on the exact type of goods being imported.

13.1 Duty rates

As a rule of thumb for costing purposes calculating a rate of 5% is usually reasonably accurate. However, certainty over the rate payable can only be achieved by:

- Identifying an appropriate tariff code for the goods (Tariff Office Tel: 01702 366077)
- Seeking advice from HM Revenue and Customs as to the rate of duty applicable to that tariff code (Tel: 0845 010 9000)

It is therefore recommended that advice on potential duty rates be obtained in advance for large value items on price sensitive projects. Whereas, duty exemption is often available, particularly for scientific instruments, VAT is also normally payable on imports (see section 11).

13.2 Guidance available on reliefs

The following paragraphs are an outline of how to import various goods free of duty and/or VAT. The information is designed to give some idea of areas that duty relief and in some cases VAT can be obtained. It is each Department's responsibility to deal directly with HM Revenue and Customs and their freight forwarders when securing duty or duty and VAT relief who will be able to advise fully on the procedures and commodity codes to be used on the import documentation.

Temporary Admission	Notice 200
Inward Processing Relief (IPR)	Notice 221
Outward Processing Relief (OPR)	Notice 235
Importing Scientific Instruments free of Duty and VAT	Notice 340
Importing Donated Medical Equipment free of Duty and VAT	Notice 341
Importing Misc. Documents and other related articles free of Duty & VAT	Notice 342
Importing Museum & Gallery Exhibits free of Duty & VAT	Notice 361
Importing Animals for Scientific Research free of Duty	Notice 365
Importing Biological & Chemical Substances for Research free of Duty & VAT	Notice 366
	Notice 374

Importing Goods for Test free of Duty & VAT

**Further information and all the notices can be found on the
HM Revenue & Customs website: <http://www.hmrc.gov.uk/>**

*The easiest way to find your notice is by searching for the Notice number
in the search box.*

13.3 Temporary admission – Notice 200

Relief conditions	
<p>The University can obtain duty relief on goods temporarily imported. The goods must be imported for a specified use, be intended for re-export after use within a specified time and not be altered or changed.</p>	
Examples of goods that are covered	Other reliefs
<ul style="list-style-type: none"> • Medical, surgical and laboratory equipment • Goods subjected to tests, experiments or demonstrations • Publicity material • Professional equipment • Educational material and scientific equipment • Works of art, collectors' items and antiques • Special tools and instruments • Goods subject to satisfactory acceptance tests • Goods used to carry out tests, experiments or demonstrations • Spare parts, accessories and equipment • Other goods or conditions for TA not met 	<p>For donated equipment, VAT relief may also be available - see Notice 341 Importing donated medical equipment free of duty and VAT.</p> <p>For advertising material see Notice 342 Importing miscellaneous documents and other related articles free of duty and VAT.</p> <p>For equipment and office materials donated free of charges, see Notice 317 Imports by charities free of duty and VAT</p> <p>Also see Notice 340 Importing scientific instruments free of duty and VAT.</p> <p>For establishments importing articles specially designed for disabled people, see Notice 371 Importing goods for disabled people free of duty and VAT.</p> <p>For imports of visual and auditory materials of an educational, scientific or cultural nature, see Notice 373 Importing visual and auditory materials free of duty and VAT.</p> <p>For exhibits of goods which are of an educational, scientific or cultural nature and not for sale, see Notice 361 Importing museum and gallery exhibits free of duty and VAT.</p>
How to obtain relief	
<p>Relief must be claimed in the EU country where the first TA use takes place, and in the case of the University will usually be on import by completing a C88 (SAD) declaration. This is called a 'simplified authorisation'. See Notice 200 for all methods of importing and paperwork to be completed.</p>	

13.4 Inward processing relief (IPR) – Notice 221

Relief conditions	
<p>The University may be able to obtain duty relief on certain goods imported from outside the EC that are processed and re-exported/exported from the Community. There are two methods of IPR, suspension or drawback. In either case:</p> <ul style="list-style-type: none"> • there must be an intention to re-export suspension goods from the EC; and, • an authorisation to enter goods to IPR must be held; and, • goods must be processed within a certain period; and, • records kept for all operations carried out, including evidence of disposal. 	
Suspension	Drawback
<ul style="list-style-type: none"> • Customs duties are suspended when the goods are first entered to IPR in the EC. • Import VAT and excise duty are not due unless the goods are not exported or disposed of in one of the ways described in Notice 221. • You are required to submit returns detailing your receipts and disposals 	<ul style="list-style-type: none"> • Customs duties, excise duty and import VAT are paid when the goods are entered to IPR. • You claim the import duty back once the goods have been exported or disposed of in one of the ways described in Notice 221. • You are required to submit a periodic claim in order to obtain repayment.
How to obtain relief	
<p>In order to claim relief, you need to be authorised to import or receive goods under IPR. Authorisations are issued to the person who processes the goods or arranges for them to be processed on their behalf. If you sub-contract processing, the sub-contractor themselves must hold an authorisation or be named on your authorisation.</p> <p>Types of authorisation and restrictions that apply are all detailed fully in Notice 221</p>	

13.5 Outward processing relief (OPR) – Notice 235

Relief conditions
The University can obtain duty relief on goods which have been exported temporarily for process, as long as it can be shown that the exported goods were used to produce, or were incorporated into, the products re- imported.
How to obtain relief
<p>The exported goods must be:</p> <ul style="list-style-type: none">• owned by the University and• have been produced within the EC. <p>Normally they will be having repairs or modifications made before we re-import the goods back in to the EC or in some cases we may import replacements for faulty goods where it was found not practical to have them repaired. The latter is a variant of OPR known as the Standard Exchange System and the replacement goods must be of equivalent commercial condition and value.</p> <p>For full guidance on procedures regarding OPR see Notice 235</p>

13.6 Scientific instruments free of duty and VAT – Notice 340

Relief conditions	
<p>The University can obtain duty relief on scientific instruments imported for scientific purposes.</p> <p>VAT relief is also available if the goods are to be used in medical or veterinary research, training, diagnosis or treatment.</p> <p>NB: VAT relief (only) is available for imports of other types of goods for use in medical or veterinary research, training, diagnosis or treatment. These are:</p> <ul style="list-style-type: none"> ▪ medical, computer, video, sterilizing, laboratory or refrigeration equipment <p>See Section 8.12 for more details on VAT medical exemption</p>	
Goods that are covered	Restrictions on the use and disposal of the goods
<ul style="list-style-type: none"> • scientific instruments and apparatus; • spare parts, components and accessories specifically for scientific instruments and apparatus which have been granted relief; and • tools to be used for maintaining, checking, calibrating or repairing eligible instruments and apparatus. 	<ul style="list-style-type: none"> • You may use the goods only for non-commercial scientific research or educational purposes. • You may lend, hire out or transfer the goods to another approved establishment, as long as you notify the National Imports Relief Unit • You must pay the duty if you dispose of the goods in any other way.
How to obtain relief	
<p>Apply for approval to NIRU (National Import Relief Unit) for a certificate</p> <p style="text-align: center;">National Import Reliefs Unit HM Customs and Excise Custom House Killyhevlin Industrial Estate Enniskillen County Fermanagh Northern Ireland BT74 4EJ</p> <p style="text-align: center;">Tel: 028 6632 2298 Fax: 028 6632 4018</p>	
<p>See Notice 340 for methods of importing and paperwork to be completed</p>	

13.7 Importing donated medical equipment VAT & duty free – Notice 341

Relief conditions	
<p>The University can obtain duty and VAT relief on eligible goods imported for medical research, establishing medical diagnosis or carrying out medical treatment. This does not extend to training.</p> <p>NB: Even if not eligible for duty relief, you can still claim VAT relief if your goods are purchased by the University and are</p> <ul style="list-style-type: none"> ▪ medical, scientific, computer, video, sterilizing, laboratory or refrigeration equipment ▪ intended for use in medical or veterinary research, training, diagnosis or treatment <p>See Section 8.12 for more details on VAT medical exemption</p>	
Goods that are covered	Restrictions
<ul style="list-style-type: none"> • instruments and apparatus intended for medical research, establishing medical diagnosis or carrying out medical treatment; • spare parts, components and accessories specifically for eligible instruments and apparatus; • tools to be used for maintaining, checking, calibrating or repairing eligible instruments and apparatus. 	<p>The goods you import must be:</p> <ul style="list-style-type: none"> • donated by a charitable or philanthropic organisation; • donated by a private individual; or • purchased with University funds <p>In the case of donated equipment</p> <ul style="list-style-type: none"> • the donation must not involve any commercial intent on the part of the donor. • nor must the donor be connected with the manufacturer of the equipment.
How to obtain relief	
<p>Apply for approval to NIRU (National Import Relief Unit) for a certificate</p> <p style="text-align: center;">National Import Reliefs Unit HM Customs and Excise Custom House Killyhevlin Industrial Estate Enniskillen County Fermanagh Northern Ireland BT74 4EJ</p> <p style="text-align: center;">Tel: 028 6632 2298 Fax: 028 6632 4018</p>	
<p>See Notice 341 for methods of importing and paperwork to be completed</p>	

13.8 Importing miscellaneous documents and other related articles free of duty and VAT – Notice 342

Relief conditions
The University can obtain duty and VAT relief on miscellaneous documents imported as long as they meet the specific conditions set down in Notice 342.
Goods that are covered
Documents of an educational, scientific or cultural nature - Import Duty Relief only
Documents of a more general nature which meet the specific use conditions - Relief from both import duty and VAT
How to obtain relief
<p>The goods must be covered by the detailed descriptions in the notice and;</p> <ul style="list-style-type: none"> • used for the specific purposes shown, • and meet any other conditions that are laid down. <p>• Also, in some cases, specific limits apply.</p>
See Notice 342 for more details and how to apply

13.9 Importing museum & gallery exhibits free of duty & VAT -Notice 361

Relief conditions
<p>The University can obtain:</p> <ul style="list-style-type: none"> • duty relief on scientific, educational or cultural exhibits permanently imported for museum and galleries from outside the EC; and • VAT relief if the exhibits have been donated free of charge or the exhibits are purchased from a private person or not in the course or furtherance of any business.
Restrictions on the use and disposal of the goods
<ul style="list-style-type: none"> • You must keep a record of the exhibits. • You must use the items concerned exclusively as exhibits under your control. • You may lend, hire out or transfer the exhibits to another approved establishment without payment of duty and VAT as long as you first notify NIRU. • If an item is strictly controlled (eg. if it contains ivory) you will need to contact the National Advice Service. • You must pay Customs the duty and VAT if you dispose of the exhibits in any other way. Contact the National Advice Service for further details.
How to obtain relief
<p>The goods must be covered by the detailed descriptions in the notice and:</p> <ul style="list-style-type: none"> • Used for the specific purposes shown; and • Meet any other conditions that are laid down. <p>Also, in some cases specific limits may apply.</p>
<p>See Notice 361 for more details and how to apply</p>

13.10 Importing animals for scientific research free of duty - Notice 365

Relief conditions
The University can import animals which have been bred or specially prepared for scientific research free of duty. In addition, VAT relief can be claimed if the animals are supplied free of charge.
Restrictions on the use and disposal of the animals
The animals must be used only for scientific research purposes and not lend, sell or transfer them under any circumstances without first contacting HM Revenue & Customs.
How to obtain relief
See Notice 365 for more details and how to apply

13.11 Importing biological and chemical substances for research free of duty and VAT – Notice 366

Relief conditions
The University can import some biological or chemical substances for Non-commercial educational or scientific research free of duty and VAT
Restrictions on the use and disposal of the substances
You must use the goods only for non-commercial research purposes.
How to obtain relief
See Notice 366 for more details and how to apply

13.12 Importing goods for testing free of duty and VAT – Notice 374

Relief conditions
The University can import goods for testing to find out their composition, quality or other characteristics for information, or for industrial or commercial research, free from duty, excise duty and VAT.
How to obtain relief
See Notice 374 for more details and how to apply

14. A brief guide to corporation tax

Corporation tax is a tax payable by corporate bodies on any profits they make. The University is a corporate body and is therefore in principle subject to corporation tax on any surpluses made. However there are extensive reliefs available to charities which in most cases remove any corporation tax liability.

14.1 Charitable activities relief

The main corporation tax relief applying to the University is an exemption available to charitable bodies on any profits arising on charitable activity. In the University context, charitable activity is:

- the provision of education;
- research where the results are made publicly available; and
- services that are beneficial to the community including the provision of health related activity.

It is important to remember that the relevant test is whether the activity that gives rise to the profit is itself charitable, not how the profit will be spent.



Eg. The provision of consultancy is not a charitable activity and is liable to corporation tax even if the income derived from the consultancy will be used to support educational activity.

14.2 Non-charitable activities

Areas that are non-charitable and therefore could give rise to a tax charge include:

- the provision of consulting;
- testing facilities; or
- sales of goods that are not “educational”.

Where a department undertakes such activity and it generates a profit, the tax department should be consulted. In some cases, it will be necessary for the activity to be transferred to the University’s trading company: Cambridge University Technical Services Ltd (CUTS). The effect of routing activity through CUTS is to remove the tax charge.

Students’ Activities

Exemption from Corporation Tax also covers non-charitable activity where the activity is undertaken by the beneficiaries of the charity. The beneficiaries of the University are students so any profit making activity in the University that is undertaken by students is exempt from the tax.

14.3 CUTS (Cambridge University Technical Services)

Cambridge University Technical Service (CUTS) is a wholly owned subsidiary of a Cambridge Enterprise Limited. By using CUTS, the University is able to avoid incurring a tax charge on profitable consultancy work, and also ensure that its charitable status is not subject to challenge.

CUTS is administered by the staff of Cambridge Enterprise and has no employees. CUTS has a separate VAT number to the University and undertakes work in lieu of the University where the work is not deemed charitable. This is primarily for the provision of consultancy work by University staff. CUTS also acts as a billing service for private medical practice, performed by University staff that have clinical responsibilities in the National Health Service.

Details of how to use Cambridge Enterprise Consultancy Services and CUTS can be found at:

<http://www.enterprise.cam.ac.uk/university-community/consultancy-services/>

Cambridge Enterprise Consultancy Service:

- undertakes due diligence;
- negotiates fees, terms and conditions;
- draws-up contracts between CUTS and the client;
- invoices the client, collects income and chases debt.

Consultancy services charges a management fee of 12.5% from collected income.

Twice per year, CUTS transfers designated income to the University, which is then rolled back to the originating department.

15. Gift aid on donations

Gift Aid is a procedure where the University can reclaim from HM Revenue & Customs the basic rate of income tax on a donation given to the University by an individual. Currently the University is able to increase the value of the donation by 25%.

All Gift Aid reclaims for the University are made by The Development Office (CUDO).

For details on how Gift Aid works and the procedures to follow please refer to:
Chapter 14, Financial Procedures Manual
[Accounting for Donations & Grant Income](#)

Appendix A: Countries in the EC

EC member states

- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Denmark *(except the Faroe Islands and Greenland)*
- Estonia
- Finland *(excluding the Åland Islands)*
- France *(including Monaco but excluding Guadeloupe, Martinique, Réunion, St. Pierre and Miquelon, and French Guiana)*
- Germany
- Greece
- Hungary
- Ireland
- Italy *(except the communes of Livigno and Campione d' Italia and the Italian waters of Lake Lugano)*
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal *(including the Azores and Madeira)*
- Romania
- Slovakia
- Slovenia
- Spain *(inc. the Balearic Islands but excluding Ceuta, Melilla and the Canary Islands)*
- Sweden

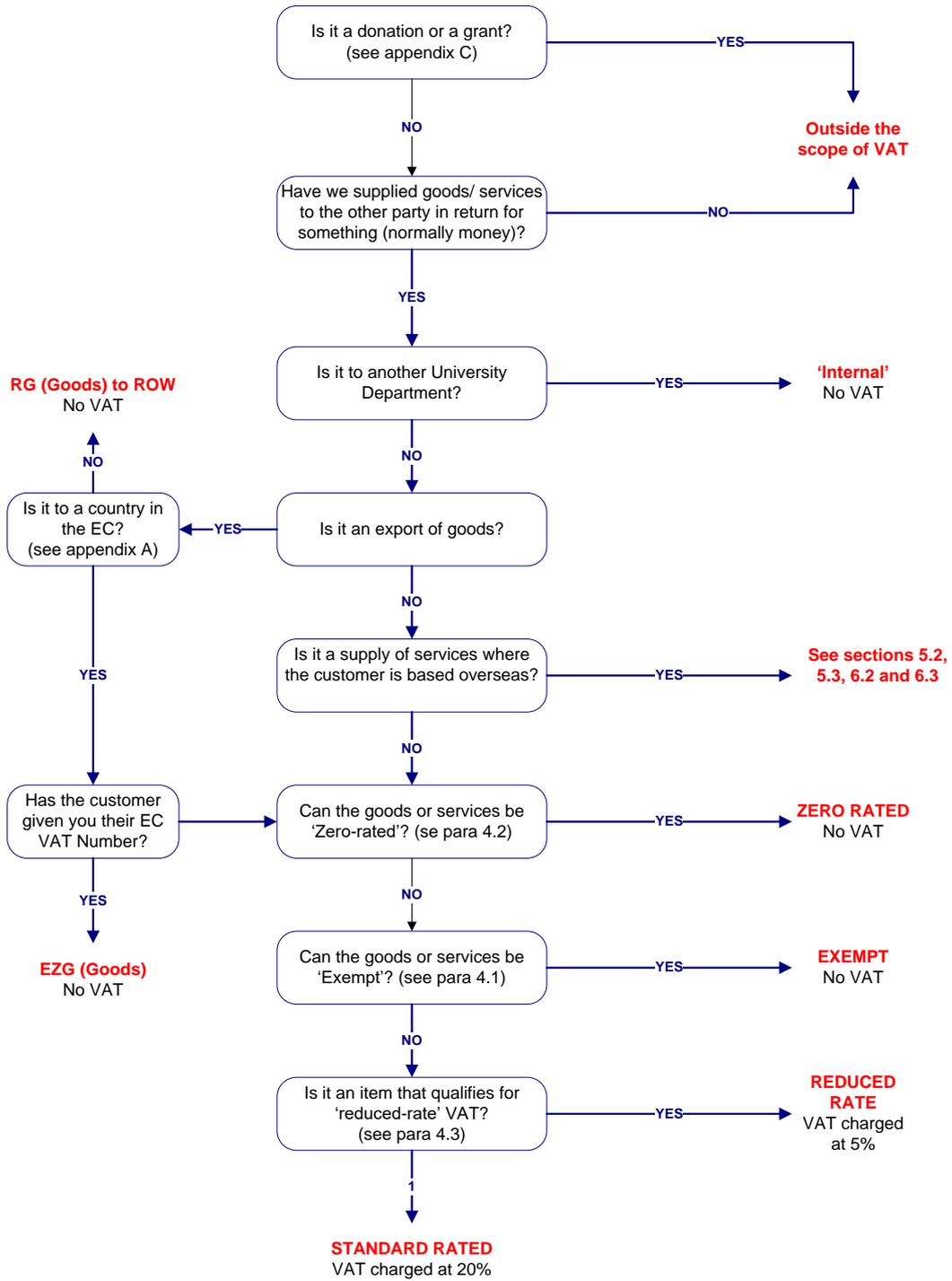
Territories inside the EC for customs duty & VAT

- | | |
|--------------------|-----------|
| • Azores | • Madeira |
| • Balearic Islands | • Monaco |
| • Isle of Man | |

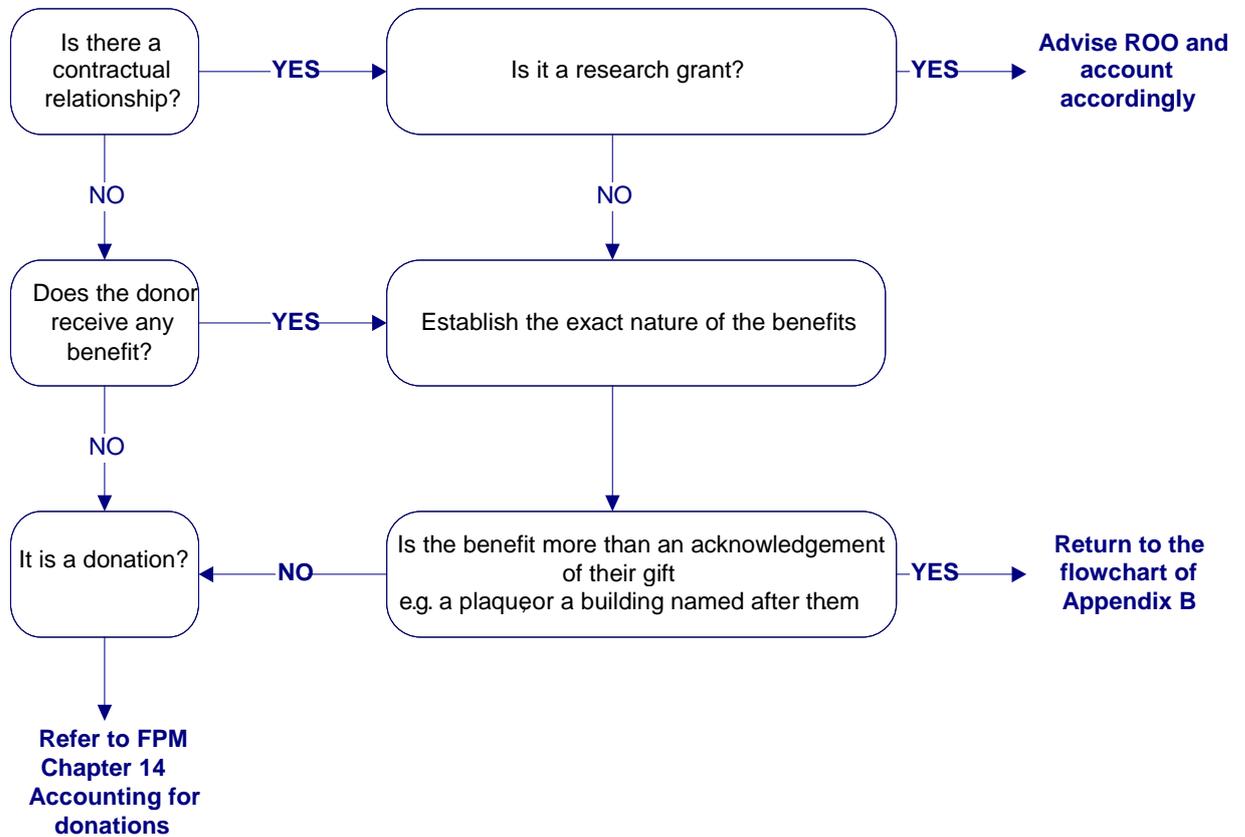
Territories inside the EC for customs duty purposes (Not VAT)

- | | |
|-------------------|------------------------------------|
| • Åland Island | • Martinique |
| • Andorra | • French Guyana |
| • Canary Islands | • Mount Athos <i>(Agion Poros)</i> |
| • Channel Islands | • Reunion |
| • Guadeloupe | |

Appendix B: What rate of VAT to charge?



Appendix C: Flowchart- are we receiving a donation, grant or contribution?



Appendix D: Advertising zero rating certificate

Charity Advertising VAT Zero-Rating Certificate



UNIVERSITY OF
CAMBRIDGE

I, of
.....

declare that the above named charity is buying from: (Name of supplier)

.....
.....

the following goods or services eligible for relief from VAT under items 8 to 8C of zero rate
Group 15

University advertising
Invoice numbers

.....

.....
(Signature)

.....
(Date)

There are severe penalties for making a false declaration. If you are in any doubt about the eligibility of the goods or services you are buying, you should seek advice from any local VAT office before signing this declaration.

You should retain this certificate for production to your VAT officer. The production of this certificate does not authorise the zero-rating of the equipment. It is your responsibility to ensure that the goods or services supplied are eligible before zero-rating them.

Appendix E: Disabled goods zero rating certificate

Goods for the Disabled VAT Zero Rating Certificate



**UNIVERSITY OF
CAMBRIDGE**

I, of

declare that the above named charity is buying from: *(Name of supplier)*

.....

- the following goods which are to be made available to a disabled person or persons for domestic or their personal use: *(description of goods)*

.....

- the following services to adapt goods to suit the condition of a disabled person to whom the goods are to be made available: *(description of services and goods)*

.....

- the following services of installation, repair or maintenance of goods: *(description of services and goods)*

.....

- the following building alterations at
(address of building):.....

(description of alterations).....

- the services of monitoring a personal alarm call system and I claim relief from Value Added Tax.

Invoice numbers.....

.....
(Signature)

.....
(Date)

There are severe penalties for making a false declaration. If you are in any doubt about the eligibility of the goods or services you are buying, you should seek advice from any local VAT office before signing this declaration.

You should retain this certificate for production to your VAT officer. The production of this certificate does not authorise the zero-rating of the equipment. It is your responsibility to ensure that the goods or services supplied are eligible before zero-rating them.

Appendix F: Medical exemption certificate

Purchase by an Eligible Body of Medical, Scientific etc. equipment



PART 1 - to be completed by the purchaser

..... (Full name)
 (Status in organisation)
 (Name of organisation)
 (Address of organisation)

which is:

a research institution whose activities are not carried on profit

declare that the above named organisation is buying from:

..... (Name of supplier)
 (Address of supplier)

the following:

..... (Description of goods or services)

which I believe are: (Please tick boxes as appropriate)

- | | | | |
|---|--------------------------|-------------------------|--------------------------|
| medical equipment | <input type="checkbox"/> | sterilising equipment | <input type="checkbox"/> |
| scientific equipment | <input type="checkbox"/> | laboratory equipment | <input type="checkbox"/> |
| computer equipment | <input type="checkbox"/> | refrigeration equipment | <input type="checkbox"/> |
| video equipment | <input type="checkbox"/> | | |
| parts or accessories of the equipment indicated above | | | <input type="checkbox"/> |
| repairs or maintenance of the equipment indicated above | | | <input type="checkbox"/> |

and is paying for this supply with funds provided entirely by a charity or from voluntary contributions.

I also declare that the goods are to be used in:

- | | | | |
|-------------------|--------------------------|----------------------|--------------------------|
| medical research | <input type="checkbox"/> | veterinary research | <input type="checkbox"/> |
| medical training | <input type="checkbox"/> | veterinary training | <input type="checkbox"/> |
| medical diagnosis | <input type="checkbox"/> | veterinary diagnosis | <input type="checkbox"/> |
| medical treatment | <input type="checkbox"/> | veterinary treatment | <input type="checkbox"/> |

I have read the guidance in the Customs and Excise VAT Notice 701/6 and apply for zero-rating of the supply under Group 15, items 5 or 6 of the zero-rate Schedule to the VAT Act 1994.

.....
 Signature Date

Appendix G: Goods eligible for medical exemption

The following list provides some guidance as to what goods will qualify for zero rating. **The list is not exhaustive**

Eligible		
Yes/No	Goods	Eligible As
No	air conditioners	
No	alarms, security or smoke	
No	alarm bracelets	
Yes	anaesthetic apparatus	medical
Yes	aprons, lead lined for X-ray protection	medical
No	aprons other	
Yes	artificial limbs	Grp. 12 item 2
Yes	autoclaves	sterilising
Yes	bandages	medical
Yes	barometers	scientific
Yes	bedpans	medical
Yes	bedpan washers with sterilising steam cycle	sterilising
No	bedpan washers other	
Yes	beds, highly specialised e.g. net suspension	medical
Yes	beds medical water beds	medical
Yes	beds, hospital - tilting action or variable	Grp. 12 item 2
No	blankets	
Yes	bunsen burners	laboratory
No	camera stills	
Yes	cameras video	video
No	catering equipment	
Yes	catheters	medical
Yes	centrifuges	scientific or laboratory
Yes	clamps, medical	medical
No	cleaning equipment	
No	CCTV systems	
Yes	commode chairs	Grp. 12 item 2
Yes	computer disks and tapes	computer
Yes	computer keyboards	Computer
Yes	computer mice/mouse	Computer
Yes	computer printers	Computer
Yes	computer screens	Computer
Yes	computer screen filters	Computer
Yes	computer servers	Computer
No	Computer stationery	
No	Cotton wool	
No	curtains	
Yes	deep freezers	Refrigeration
Yes	dental chairs	medical
Yes	dental drills	medical
Yes	dental mirrors	medical
Yes	dental spittoons	medical
No	disinfectants	

Yes	drip poles	Medical
Eligible Yes/No	Goods	Eligible as
No	drugs trolley	
Yes	endoscopes	Medical
Yes	electro-cardiographs	Medical
Yes	eye test charts	Medical
Yes	examination couches, adjustable	Medical
No	first aid dummies	
Yes	first aid kits	Medical
Yes	forceps	Medical
No	fuel	
Yes	fume cupboards	laboratory
Yes	gloves surgical	Medical
No	gloves other	
No	gymnasium equipment	
No	hearing aids	
Yes	heart pacemakers	Grp. 12 item 2
Yes	hoists and patient lifting devices	Grp. 12 item 2
Yes	hypodermic needles	Medical
Yes	ice making machines	Refrigeration
Yes	identification bracelets for patients	Medical
Yes	incontinence pads	Grp. 12 item 2
Yes	kidney bowls	Medical
No	lab animals	
Yes	lab benches	laboratory
Yes	lab glassware	laboratory
No	lockers	
Yes	mattresses special designed for the relief/prevention of pressure sores	Medical
Yes	medicine measures, graduated	Medical
Yes	microscopes	scientific or laboratory
No	nurse call systems	
No	occupational therapy materials	
Yes	operating lights	Medical
No	Over-bed tables	
No	overhead projecting units	
No	paggers	
Yes	patient trolleys and stretchers	Medical
Yes	physiotherapy equipment, specialised other than gym equip	Medical
Yes	pillows, orthopaedic, specially designed and used for neck or spinal injuries	Medical
No	pillows other	
Yes	pipettes	laboratory
Yes	radiograph equipment	Medical
Yes	renal dialysis units	Medical
Yes	resuscitation equipment	Medical
No	resuscitation dummies	
Yes	scalpels	Medical
No	screens	
Yes	sphygmomanometers	Medical
Yes	splints	Medical

No	stationery	
Eligible Yes/No	Goods	Eligible as
No	sterilising solutions	
Yes	stethoscopes	Medical
Yes	surgical gloves	Medical
Yes	surgical gowns	Medical
Yes	surgical masks	Medical
Yes	suture needles	Medical
Yes	swabs	Medical
No	tape recorders	
No	television sets	
Yes	test tubes	laboratory
Yes	thermometers, clinical	Medical
Yes	thermometers other	Scientific
Yes	tongue depressors	Medical
No	towels	
No	training aids	
No	Uniforms	
Yes	video cameras	Video
Yes	video tapes	Video
Yes	video players	Video
Yes	video monitors	Video
No	waste disposal machinery	
Yes	weighing machines	Scientific
Yes	wheelchairs	Grp. 12 item 2
Yes	wound dressings	Medical
Yes	X ray films/plates	Medical
Yes	X ray machines medical	Medical
Yes	X ray machines other	Scientific

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