



VAT Guidance

You don't have to be an expert in VAT to use the CUFS modules however, it is important that you have an understanding as to the various tax codes and the scenarios in which they would be used.

Tax Name	Example of when to use
SR20%	Standard Rate for most everyday items e.g. <ul style="list-style-type: none">• Computer equipment• Stationery supplies• Clothes• Some foods/drinks
EC20%	Same as SR20% however, use this code if you are buying Standard Rate goods from other countries in the EC.
NO-UK VAT	This is a 0% VAT name e.g. <ul style="list-style-type: none">• Hire of rooms• Travel tickets• Books• Invoices from small suppliers not registered for VAT
ME0%	Medical exempt for equipment used in medical or veterinary research, diagnostics and teaching e.g. <ul style="list-style-type: none">• Bandages• Scalpels• Test tubes
INTERNAL	This 0% code is used when paying internal invoices as no VAT is charged between departments.
RR5.0%	Reduced rate mainly used by Estate Management for fuel and power.
SERVICES TAX	Used when buying services from overseas suppliers.

Reclaims of VAT by the University

Normally a business that is VAT registered can:

Reclaim from HM Revenue and Customs the VAT that it has been charged by its suppliers

as long as

the purchases it is making relate to the VATable supplies (or sales) that the business provides to its customers.

Many of the services that the University supplies to its various customers are not VATable supplies (e.g. we make exempt supplies of education or provide research which is outside the scope of VAT) and therefore we are not able to reclaim much of the VAT that we have been charged by our suppliers.

In order to maximise the VAT we can reclaim, the Tax Team within the Finance Division have set up, on CUFS, various VAT tables and VAT recovery rules that are linked behind the scenes to every account code and research grant. Each of these rules specifies whether the University can reclaim from HM Revenue & Customs none, all, or a percentage of the VAT they have been charged.

Any VAT that cannot be reclaimed is absorbed by the department as an additional cost of purchasing the item and therefore the system automatically codes it to the same account as the item itself.

Therefore when looking at your distributions you will see one of three possibilities:

- If the university cannot reclaim the VAT it will be coded back to the department, against the same code as the item line.
- If the university can reclaim the VAT it will be coded to the VAT reclaim account U.00.0000.0000.VCBA.0000.
- If the University can reclaim only part of the VAT it will be coded in part to the VAT reclaim account and in part to the same code as the item line.

NEVER TOUCH THE VAT RECLAIM ACCOUNT

Zero Tax Lines

Sometimes the percentage of VAT that can be reclaimed is so small that although the recoverable VAT line is displayed the amount to be recovered is less than 1p and hence not displayed on the screen. In this instance you will still get a second Tax line (the recoverable VAT line) but the monetary value will be zero. **Do not delete this line** as behind the scenes these tiny amounts are being collated.