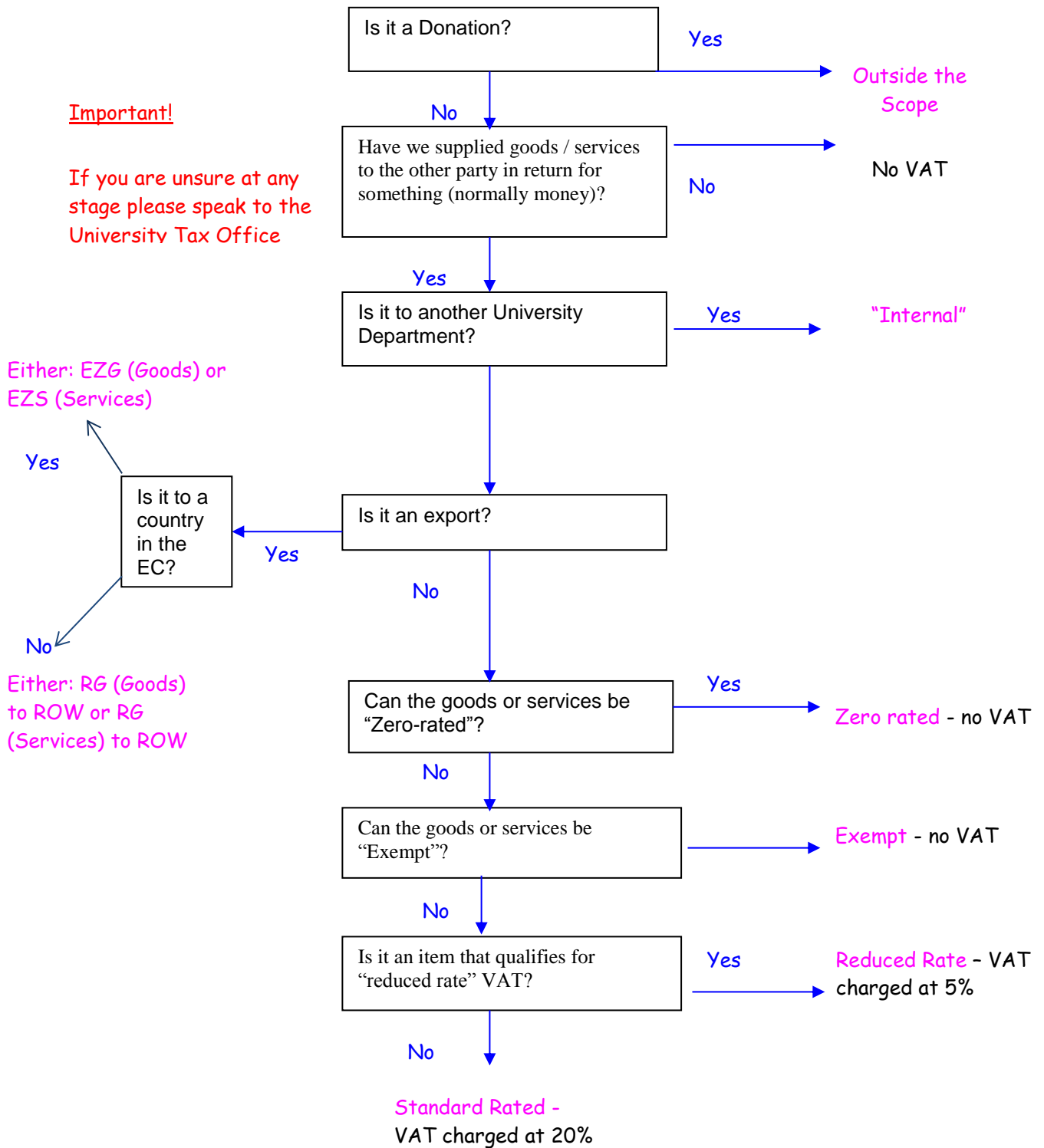


VAT and AR

When deciding whether to charge VAT on an invoice, or whether a proportion of the monies you have received are vatable you should follow the basic principles;



Below are some common examples of items in the University and their VAT rates, further details and explanations are given in the VAT guidance published on the Finance Division web page at:

<http://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures/chapter-9-vat-and-other-taxes>

Alternatively please contact the University Tax Team for further clarification

VATQueries@admin.cam.ac.uk or call (3)32230

| Common outside the scope items | |
|---------------------------------------|---|
| True donations | <p>VAT is not chargeable on pure donations of cash, i.e. where no strings are attached to the donation. However, if a 'donation' of cash is made on condition that the recipient provides something in return, then the recipient is making a taxable supply of services to the donor which will be liable to VAT under the normal rules.</p> <p>True donations are 'outside the scope' of VAT.</p> |
| Exports | |
| EC goods and services | <p>In the case of a supply of services to a member of the EC (other than the UK) the VAT Code 'EZS' should be selected as the tax rate. In the case of goods supplied to the EC 'EZG' should be used.</p> <p>The supplies are then zero-rated.</p> <p>However, in order to zero-rate the supply, the customer's VAT number is required and should be entered on the invoice. Where EC goods are supplied copy invoices should be passed to the Tax section. If the customer does not provide his VAT registration number, tax should be charged at the 'standard rate'.</p> |

| | |
|--|---|
| Supplies of goods and services to the rest of the world. | <p>For the purposes of the accounting system services to the rest of the world should be classed as 'RS', whilst goods to the rest of the world are 'RG'.</p> <p>Documentary evidence of export should be kept.</p> |
| Common Zero-rated Items | |
| <ul style="list-style-type: none"> • Sales of books • Library fines | |
| Common Exempt items | |
| <ul style="list-style-type: none"> • Fees for education and vocational training • Goods/services closely related to the supply of education, vocational training or research (when supplied to another eligible body for use directly by their students) • In the majority of cases rent and room hire • Catering for students • Photocopying for students • Sale of stamps • Bench fees for students | |
| Common Standard Rated Items | |
| <ul style="list-style-type: none"> • Sales to staff and visitors • Sales of second hand equipment (unless can be zero-rated in its own right e.g. books) • Catering for staff and visitors • Sale of postcards • Admission cards for libraries • Sponsorship • Advertising • Bench fees for academics • Gift Items eg. souvenir mugs • Consultancy Fees | |

Education

Supplies of education are 'exempt'. This includes not only supplies of education to full time students, but to all supplies of education. Education includes educational seminars, conferences, and lectures, together with sporting and recreational courses.

Closely related supplies

Supplies of goods and services which are closely related to a supply of education, vocational training or research (where the research is supplied to another eligible body) are 'exempt'. For example, supplies of accommodation, catering and other facilities to those attending a conference are 'exempt' under the proviso that they are a closely related supply to the supply of the education. Other examples of 'closely related supplies' are transport, photocopying, and supplies from vending machines. However, alcohol is not included in this concession!

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 take advice from the Tax Section.

Room hire

The supply of room hire is 'exempt', unless the University has 'opted to tax' the building, in which case VAT should be added at the 'standard rate'. The majority of buildings have not been subject to an 'option to tax'.

Room hire for the purpose of catering is 'standard rated', as is the supply of room hire in conjunction with the supply of bedded accommodation.

Catering

Supplies to students are 'exempt'. Supplies to staff and visitors are standard rated. Where there is a mixed supply, the different types of supply should be identified. If it is difficult to identify different categories of customer at the point of sale, please speak to the Tax Section who may be able to agree a different method of calculating the VAT due.

Museum and other shops

- The supply of books is 'zero-rated'. This includes children's picture books and painting books.
- The sale of postcards is 'standard rated'.
- The supply of stamps is 'exempt'.

Libraries

- Library fines are 'zero-rated'.
- Admission cards are 'standard rated' where a charge is made.

Photocopying services

Photocopying charged to another department is an internal sale and 'INT' should be selected as the tax rate. The supply of photocopying services to a student is regarded as a 'closely related supply' and is 'exempt'. Other supplies of photocopying are 'standard rated'.

Supplies of second-hand goods to staff

The supply of second-hand goods to staff are 'standard rated' unless the item being sold is 'zero-rated' in its own right e.g. books.

How do I account for VAT on cash sales?

Non invoice related receipts of cash should be entered under 'receipts' within the Accounts Receivable responsibility. The receipt type should be set at 'Misc'. Before receipts of cash are entered each activity will need to be set up as a 'Receivable Activity'.

For example, you might need activities for exempt and VATable catering coming from the same canteen.

You must not raise invoices off the system and apply the receipt of cash to a receivable activity as this can lead to an error in the paying VAT to HM Revenue and Customs at the correct time which is driven by the invoice date, not the date of receiving payment.