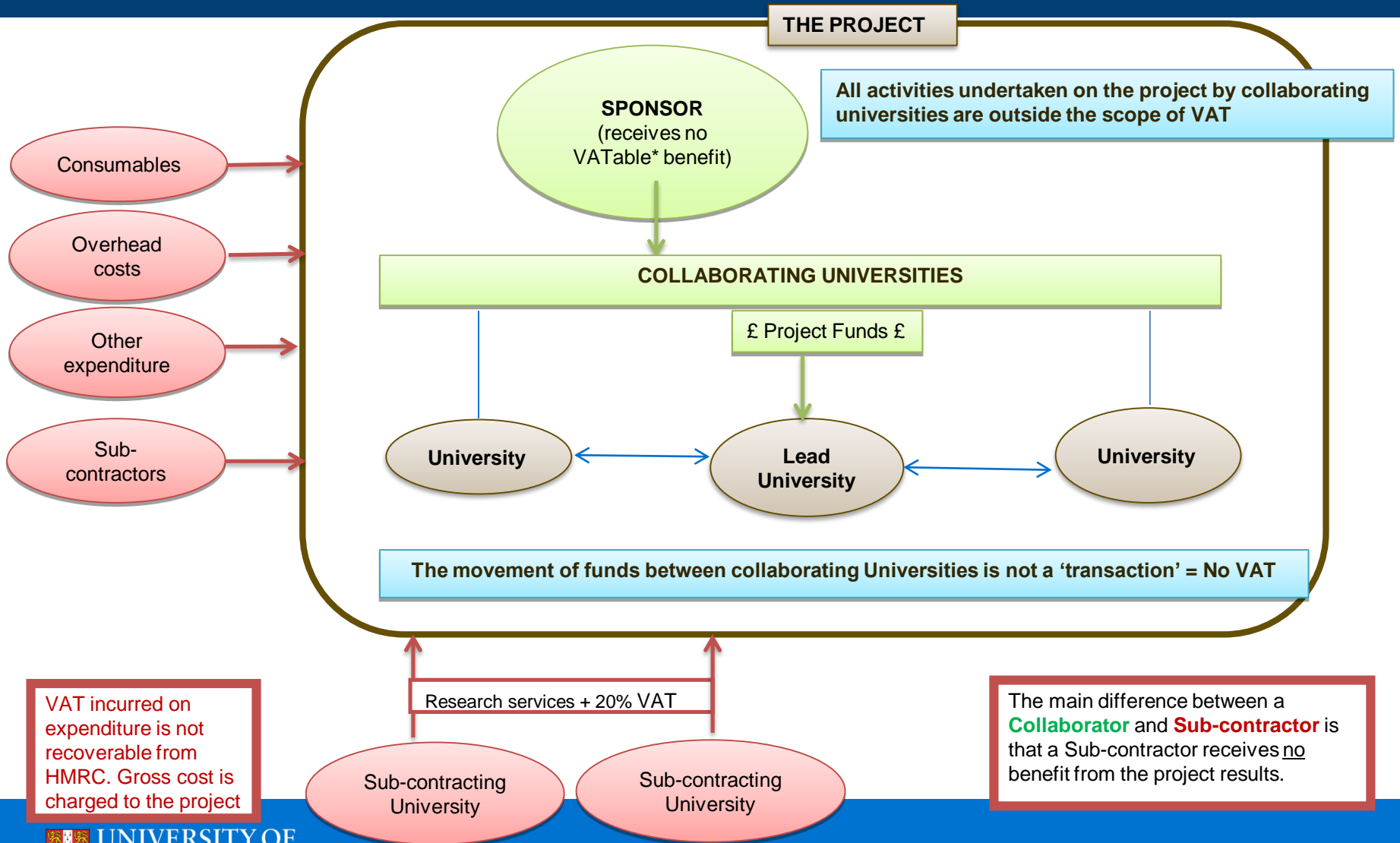


Collaborations for VAT purposes

The term 'collaboration' is used widely within the University:

- Academic staff often use the term to describe their relationship with sponsors, other Universities or sub-contractors.
- **An academic collaboration and a collaboration for VAT purposes can have different meanings.**
- For VAT purposes, a 'collaboration' has a narrow meaning - explained on the following slides.
- If a collaboration meets the criteria **for VAT purposes**, funds can be transferred without VAT.
- Contractual relationships and the economic reality need to be accurately understood for financial, contractual and tax reasons.

This is a Collaboration – for VAT purposes



Collaborative indicators

Sponsor cannot receive VATable* benefit from the activity (e.g. collaborations can be with UKRI, Charities, Government Departments (depending on activity) but not industry sponsors).

AND at least one of 1 - 3:



1. All parties (University or its PI) party to and named on funding application

2. All parties (University or its PI) party to and named on original contract

3. All parties named in the research agreement are responsible for their own compliance with the award letter

AND:

4. All parties engaged in research

AND:

5. Each party usually retains ownership of the IP in the work undertaken or, as a minimum, has the right to use of the results to pursue the charitable objectives

Non-collaborative arrangements

Industrial sponsors and sponsors receiving VAT-able benefits are usually unable to qualify for a VAT collaboration.

The main difference between a Collaborator/Sub-awardee and Sub-contractor is that a Sub-contractor receives no benefit from the project results.

Sub-contractor indicators:

- Generally, not included in original application or contract
- Research lead / partner bears risk of sub-contractor performance
- Sub-contractor does not retain any foreground IP – sits with Research lead/partner
- Does not have any control over the project's aims
- May not be engaged in research e.g. may be providing sample testing

What is a VATable benefit?

A publicly funded research grant for VAT purposes constitutes the free giving of funds by the Sponsor for research that is for the public good, without receiving any benefit in return. Benefits may include:

- a. a form of IP license (exclusive or not, even if only for internal development purposes) or an option to negotiate the same;
- b. for UKRI, Charities, Govt Depts – protective IP clauses are not always determinative. Is there an operational benefit (next slide)?
- c. the research results, while owned by the University or made publicly available, provide a direct commercial benefit to the Sponsor.
- d. obligation to use the logo of the sponsor on publications or other dissemination activity (acknowledging the source of funding is not a benefit).

What is an operational benefit?

An operational (VATable) benefit is given if:

- The research output improves the operations of the Sponsor;
- Research is aimed at improving the efficiency of Government operations or tries to evaluate policy outcomes with an aim to improve these (e.g. research into re-offending rates of prisoners that had undergone a new rehabilitation programme);
- Operational benefits for Government Departments can include development of new technology that improves or aids capabilities (e.g. durability of materials, new modelling techniques, research on lasers or radio waves in a military application);
- The research results are not disseminated or made publicly available;
- If not undertaken by UCAM, the sponsor would have to undertake the activity.

University Tax Team

Tracy Levitt – Head of VAT

Angela Fearnside – Deputy Head of VAT

Dean Witziers – VAT Manager

Please send VAT queries to:

VATqueries@admin.cam.ac.uk

<https://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures/chapter-19-research-grants/appendix-establishing-vat-rate>

<https://www.importexport.admin.cam.ac.uk/>