**Schools – Accounting for VAT**

1. VAT is a highly complicated subject that can result in a significant financial loss to Bradford Council and to individual schools if we get it wrong.
2. Schools are responsible for correctly recording and accounting for VAT on their internal financial systems.
3. All Governing Bodies / Headteachers must ensure that all relevant finance and administrative staff are aware of VAT regulations.
4. All staff responsible for school VAT accounting should take the time to read the Education VAT manual available on the Bradford Schools Online (BSO) website. An understanding of the main principles should help staff to deal with VAT on a day to day basis.
5. From time to time the Local Authority will run training or seminars for schools. Schools will be notified in advance via Latest News and Updates in the Finance section of the Bradford Schools Online website.
6. For sales (output tax) schools will need to issue VAT invoices. For more details of what a VAT invoice should contain, see the Education VAT manual guide on how to invoice correctly for VAT.
7. For purchases (input tax) schools must have a proper VAT invoice to be able to reclaim any VAT paid. Before you pay the VAT invoice you must check to ensure that the invoice from your VAT registered supplier contains all the necessary VAT information. See details in the Education VAT manual.
8. There are different rates/types of VAT and these should be reported separately on your VAT Return. Therefore, your accounting system must have codes to enable you to account for all 5 categories of VAT in respect of both your input and output tax i.e.:-
   * Non-Business (Outside the Scope of VAT)
   * Exempt (No VAT chargeable)
   * Zero-rated (Chargeable at 0%)
   * Lower-rated (Chargeable at 5%)
   * Standard-rated (Chargeable at 20%)
9. VAT Returns (including nil returns) should be submitted to the School Funding Team no later than 10 days after the end of the monthly accounting period, particularly as there are financial penalties if returns are not made promptly and accurately. Any penalties that result from errors on school returns will be met from school budgets.
10. Records must be kept to substantiate the figures reported on VAT Returns. They must be readily available and be kept in such a way as to allow HMRC officers to easily verify the figures and documentation. These records must be retained for 6 years.
11. Schools are responsible for their own ‘unofficial’ funds and these do not fall under Bradford Council’s VAT registration. A school might find itself liable to VAT registration if its income from the provision of goods and services in respect of ‘unofficial’ fund activities exceeds the annual VAT threshold (£85,000 at 1 April 2017).
12. The School Funding Team should be the initial point of contact for schools with VAT related issues. Where the SFT is unable to deal with the VAT query then guidance will be sought from the Authority’s VAT Officer.
13. Schools must comply with Financial Regulation 11, and liaise with the authority’s VAT Officer on any capital proposals (including bids for external funding and partnership working), thereby ensuring the VAT implications for the authority and the school are fully appraised before the project goes ahead.