

## Guide to “VAT AS IT AFFECTS INTEREST GROUPS OF THE RSC”

The following document was prepared by Tony Wickham, RSC British Carbon Group in May 2006 based on personal experience. It has been reviewed by the RSC Finance Department.

“What follows is an interpretation of VAT rules as they apply to the educational charitable trusts administered by RSC. I believe it to be correct, but the rules change regularly as a result of test cases, and one never knows. Thus, the following is offered in good faith, but users need to satisfy themselves as to its accuracy and appropriateness to their circumstances.

1. The need to register may arise most probably for Groups who organise large conferences for which the accounts pass through their Group accounts directly. If an external agency is used which is the fund holder, then this may not apply.
2. If your *turnover* exceeds the threshold for VAT registration (£61,000 for 2006 but it changes each year, so **check** the last budget), then you **must** register for VAT. You must also immediately register for VAT if you have reason to believe in advance that your turnover for the next accounting year will exceed this threshold.
3. From my experience of local VAT offices (if you find one) or the enquiry line, you are likely to get conflicting advice because they never understand the trust situation themselves, and so no advice is deemed to have legal status unless it is in writing and in response to a written enquiry.
4. The address for registration is currently: HM Customs and Excise, VAT Registration Unit, Deansgate, 62-70 Tettenhall Road, Wolverhampton, West Midlands WV1 4TZ, tel: 01902 392000 fax: 01902 392202
5. The forms are rather complicated and do not cater for organisations which are not “companies”. They also view applicants as “Directors” who may have other VAT-registered businesses and, should this be the case, they will check up on how well your VAT returns came in from the existing business (in the case of The British Carbon Group, the ‘other business’ was a farming partnership involving the applicant, and it had to be declared). You will need to register using the address which is your “principal place of trade” which may be the Treasurer’s home, or that of a sub-contract conference manager. P.O. Box addresses are not acceptable.
6. Registration can take several months as there are rounds of questions when they do not like, or understand, your initial replies.
7. Eventually, you will get a number, which must appear on official VAT receipts together with the trading address. You *may* use a P.O. Box Number to operate the business, in which case this *must* appear on the VAT receipt. The receipt must also show *the Tax Point*, which is the actual deemed date of supply, this is the invoice date or the date that cash is received. The amount of VAT should be shown separately, together with the rate of charge, especially where there are differing rates for things. The rate on most supplies likely to come from a Group will be standard rated, currently at 17.5%,

although certain items may be zero-rated supplies (as opposed to exempt supplies). *Only one VAT receipt per transaction should normally be produced, and any duplicate **must** be so marked.* This is to prevent fraud and is an EU requirement.

8. Once registered, the good news is that you can then reclaim VAT on your outgoings *provided you file a formal VAT receipt for each item.* These do not have to be submitted with normal returns, but they may be subject to a snap audit<sup>1</sup>. You *cannot* reclaim VAT on services or supplies made prior to the date of registration even if the Invoice arrives *after* the date of registration<sup>2</sup> – however this expenditure will appear in the VAT return as a gross amount.
9. A VAT return is usually required every three months and consists of a single sheet of paper which records income, expenditure, VAT collected and VAT reclaimed. Six boxes in total to allow for supplies from other EU countries. If you owe VAT, you send a cheque. Otherwise, they pay your nominated bank account. Normally, it is that easy, but you need to account for VAT independently of the normal accounts so that you always have the data ready. If the return is late (you have one month after the date of the period End) there are financial penalties.
10. Once you are registered, you must always charge VAT on your supplies at the current rate. Eligible supplies are:
  - a. All direct supplies of goods or services (e.g. conference fees, but remember books are zero rated at present.....)
  - b. All resold supplies (if you buy something in - e.g. bedroom accommodation, and re-sell it yourself, that counts)
  - c. Agency fees on the services of other supplies which are passed on (examples here include tour tickets for accompanying persons, or bedroom accommodation where the supplier retains the risk and you merely act as agents) – if you choose to charge an agency fee, then you charge VAT on such fees.
11. Since groups are educational trusts, academic suppliers should not charge you VAT on direct services for conferences. An academic supplier here is generally a University, and their knowledge of this point is found to be widely variable and sometimes incorrect. Academic supplies in this context include lecture facilities and food/beds for ‘students’, which term applies to all your delegates. However, any third-party supplies, which might be AV services, for example, *will* attract VAT if they are being re-sold to you (i.e. if the University gets their bill and then charges you). *Note that whilst it is incorrect for an educational supplier to charge you VAT in these circumstances, it is also incorrect for you to ‘shrug it off’ and just reclaim it. If you try to reclaim this charge there are then two offences committed<sup>3</sup>.*

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<sup>1</sup> Otherwise known as a “VAT Raid”!

<sup>2</sup> With certain expectations which may go back to a maximum of six months. None was relevant to the British Carbon Group

<sup>3</sup> “case law” – The British Carbon Group v. The University of Cardiff, 2005!

12. VAT is chargeable to everyone attending a conference in the UK, since the service is supplied in the UK<sup>4</sup>. All must pay in full. Delegates whose fees are paid by an EU institution which is VAT registered should find that the institution can reclaim the VAT in their own country against a formal VAT receipt issued by the group. Spain often says it can't, but that is their problem. Non-EU nationals must also pay in full and their VAT cannot be reclaimed at the airport. That possibility only applies to goods and services which are exported<sup>5</sup>.
  
13. Finally, if the situation changed, you can apply to de-register, if your taxable turnover is below the deregistration limit (£59000 for 2006). That cannot however be done until your registration has been in place for a minimum of two years. “

*With acknowledgement to Tony Wickham, RSC British Carbon Group for preparing this statement.*

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<sup>4</sup> Where the event is held overseas, as in FD133, local VAT regulations may apply

<sup>5</sup> I believe this is why the RSC can offer subscriptions without VAT to non-EU members and fellows, because in this case the service (Membership) is enjoyed in the member's own country.