Quick Guide to VAT for University Purchase and Corporate Cardholders

Value Added Tax is the UK’s sales tax and can be complex to apply so this guide is only a brief and hopefully simple summary for University cardholders to ensure they code VAT appropriately on transactions paid via their card.

Where cardholders still have queries about coding your card statements please contact Procurement (see contact list below).

Remember in order for the University to reclaim VAT you must obtain a VAT receipt otherwise no reclaim can be made.

For clarity the University, unlike a “normal” business, only recovers a very small percentage of VAT but we still have a duty to ensure compliance with HMRC.

1 VAT Codes

There are different VAT rates, depending on the goods or services that are being purchased. Currently HMRC has three rates:

- standard rate 20% (our code P1)
- reduced rate 5% (our code P5)
- zero rate 0% (our code P2)

1.1 The standard rate of VAT is the default rate - this is the rate that’s charged on most goods and services in the UK unless they’re specifically identified as being reduced or zero-rated.

1.2 The reduced rate need not concern most if not all of you but an example of where the reduced rate applies is electricity for domestic and residential use or for non-business use by a charity.

1.3 The zero rate of VAT applies to specific purchases of goods and services. Zero rating can depend on the product itself and/or the circumstances of the sale, examples of which are displayed below:

- food - but not meals in restaurants or hot takeaways
- books and newspapers
- children's clothes and shoes
- public transport/bus/train/taxi/air travel

This isn't a full list of zero-rated items.

Read HMRC’s explanation of different VAT rates

Find out what VAT rates apply to different goods and services
2 Items not covered by VAT

There are some items that aren't covered by VAT. These items are either:

- exempt
- outside the scope of VAT

2.1 Exempt items (our code P3)

Some items are exempt from VAT because the law says they mustn't have any VAT charged on them. Items that are exempt include the following:

- insurance
- providing credit
- education and training, if certain conditions are met
- fundraising events by charities, if certain conditions are met
- membership subscriptions, if certain conditions are met
- most services provided by doctors and dentists

2.2 Out of the Scope items (Our code P4)

- University internal charges – self supply of catering and printing do not attract VAT and are out of the scope of VAT (we would normally expect these charges to be paid via internal transfer journal and not on your card.
- Invoices from suppliers outside the UK (but VAT may be charged later)
- Invoices from businesses or traders that are not VAT registered

3 Further Information about VAT and card transactions

3.1 See HMRC [http://www.hmrc.gov.uk/vat/start/introduction.htm#6](http://www.hmrc.gov.uk/vat/start/introduction.htm#6) for more information about VAT.

3.2 Any further queries contact the Procurement Team as below:

Andrina Gunn   extension 6006
Chris Naismith  extension 6243
David Campbell  extension 6420