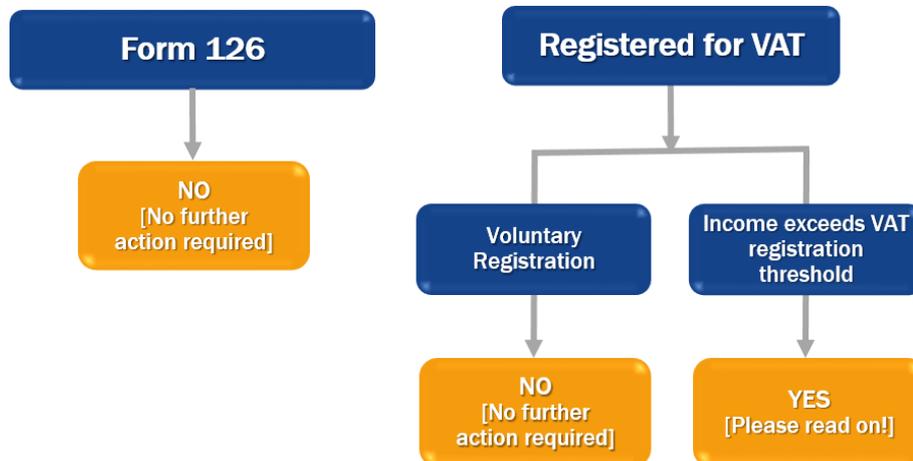


Academies: Making Tax Digital and VAT

April 2019

Is Making Tax Digital (MTD) relevant to your academy?



What does MTD mean for Academies?

MTD applies to all VAT registered businesses whose taxable turnover is in excess of the annual VAT registration threshold (currently £85,000). MTD means that a qualifying business will be required to submit VAT returns digitally and that it will need to use compatible bridging software to facilitate the digital transfer of the required data from its existing system to HMRC's systems.

Note that MTD will not apply to those businesses that are registered for VAT on a voluntary basis (ie they have chosen to be VAT registered even though their taxable income does not exceed the VAT registration threshold). For the reasons set out in this note, academies that are registered for VAT as a stand-alone entity because the annual value of its taxable supplies is in excess of £85,000 will almost certainly have to apply MTD for VAT return periods starting after 1 April 2019.

Academies that are VAT grouped with, for example, a trading company will be able to defer application of MTD to VAT return periods starting after 1 October 2019. However, many VAT registered academies will escape falling within the MTD regime if they voluntarily registered for VAT.

Implementation Date

The effective date of implementation of MTD is 1 April 2019, though some organisations may qualify for the deferral of implementation of MTD to 1 October 2019.

Taxable Turnover – definition for MTD purposes

For the purposes of Making Tax Digital for VAT, taxable or 'VATable' turnover is the summation of standard rated, zero rated and reduced rated income. It does not include income that is exempt or outside of the scope.

Exemptions from MTD – unlikely to be relevant to academies

The government has announced a list of businesses that are exempt from MTD:

- A business operated by members of a religious society whose beliefs are incompatible with the requirements of the regulations.
- A business for which it is not reasonably practicable to use digital tools to keep your business records or submit your returns, for reasons of age, disability, remoteness of location or for any other reason.
- A business that is subject to an insolvency procedure.

It is unlikely that any academy will be able to use any of these exemptions above.

Deferral of implementation

Businesses that qualify will have to comply for VAT returns commencing on or after 1 October 2019 instead of on or after 1 April 2019.

The qualifying businesses are as follows:

- Trusts - Although academies use the term 'trust' or multi academy 'trust', HMRC do NOT classify them as trusts. Academies are companies limited by guarantee and have charitable status with the ESFA (Education & Skills Funding Agency) acting as the regulator.
- Not for profit organisation that are not companies (this includes some charities) - academies are companies limited by guarantee so this will not be applicable.
- VAT divisions - very unlikely to be applicable to academies.
- VAT groups (the deferral applies to the entities included within a VAT group rather than just because there is a group) - some academies have trading subsidiaries which are part of a VAT group. These would qualify for the deferral.
- Public sector entities that are required to provide additional information alongside their VAT return (such as Government departments and NHS Trusts) – not applicable to academies.
- Local authorities and public corporations – not applicable to academies.
- Traders based overseas – not applicable to academies.
- Businesses required to make payments on account – very unlikely to be applicable to academies as they are usually in VAT repayment position.
- Annual accounting scheme users – not applicable to universities.

Trading subsidiaries

If your trading subsidiary turnover exceeds the VAT threshold (currently £85,000) then this will be caught in its own right, unless it forms part of a VAT group and qualifies for the deferral above.

In most cases HMRC have written to those businesses which it believes should be deferred. If you believe you should be deferred or are still not sure then we recommend you contact the HMRC VAT helpline to confirm.

Next steps?

Most academies will not be required to implement MTD, either because the value of their taxable supplies will not exceed the VAT registration threshold.

If you are required to implement MTD, need assistance or have any questions, please contact your usual Wilkins Kennedy partner or email

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