

Recovery of VAT by Academies

The 2011 Finance Bill proposes to amend the VAT position of academy schools.

At the moment, academies are unable to recover VAT on goods and services provided for their non-business activities, i.e. the provision of free education. This puts them at a disadvantage when compared to schools under the control of a local authority as they are able to recover VAT through the special refund scheme.

The new provisions seek to address this anomaly and from 1 April 2011 academies will be able to recover VAT on their non-business activities. This will put them on a level playing field with local authority schools. HMRC have stated that the amendment is in order to "maintain the level of funding" for academies. This also reflects the government's announcement in the June Budget that they wished to encourage the expansion of academies.

For further details, or for advice about how to take advantage of the new VAT recovery rules, please contact Ted Powell on 01223 222297 or ted.powell@mills-reeve.com.



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