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| **YRAF Spring Symposium****16 April 2018****VAT case study** | Image result for daffodil |

Dr Foster is planning to undertake a research project over summer in a European country which includes her paying to access a commercial research facility. She will spend 8 weeks in country and therefore requires:

* accommodation
* facility access
* consumables used as part of the facility
* car hire for the duration of her stay
* salary costs

What are the VAT implications and how might you mitigate them?

Comments from Michael Slade (Management Accountant, VAT and Companies Office):

* accommodation - VAT would be payable in the country where the accommodation was located. Reverse charge doesn't apply. Consider getting the local partner to pay for the accommodation as they may be able to recover locally charged VAT, and make an adjustment to the distribution of research funding to account for that?
* short term ( not exceeding 30 days) car hire is still subject to local VAT - again, can the local partner pay for this as in the situation above? You're right that longer term car hire is subject to reverse charge VAT in the UK, and the charge will then be based on the local hire tariff plus local taxes, and then UK VAT added on top of that, so do break the contracts into <30 day chunks
* consumables - in isolation these are probably reverse chargeable; though if sourced, paid for, and consumed, within the European country concerned I'd argue they were outside the scope of UK VAT.
* facility costs - tricky one, depends on what you mean by "facilities" - if you're simply given a lab or an office and allowed to work there, these are "land based" and therefore subject to VAT in the European country - they're not reverse chargeable. But be careful - I think if you were to also get other services (eg an assistant, or access to some kind of service provision like our Technology Facility in Biology might provide), then you've created a reverse chargeable supply.

Re the other handout - Indicators

* "contract" implies "supply and consideration", and that means VAT is likely to be chargeable. Changing the terminology in the agreement won't make any difference if S&C are still present.
* Transfer of IP - "IP ownership alone is not enough - it depends what they're going to do with the IP" - I think simply not making it freely available to others may be enough to make it VAT-able as I guess denying others the chance to use IP may itself have some value?
* the public benefit test is not straightforward - it's possible for the public to benefit from research which is itself VAT-able: work done for the FSA  on food safety (over which the FSA had proprietorial rights) is one example.

Scenarios

* Scenario 1 - agreed: it's unlikely this would ever be outside the scope of VAT. Also, be aware of the situation where a company engages with the university and agrees to pay in kind eg by giving equipment to the University - work worth £20k and paid for with £20k's worth of equipment would actually mean the University lost out by the deemed VAT (1/6) of the £20k, having to hand that over as output VAT. If goods in kind are offered then ensure that the agreed value is ex VAT.
* Scenarios 2 - agreed: it's likely that this is VAT-able depending on the "supply and consideration" point above. The status of the company is not relevant - what matters is the nature of the relationship between it and the University.
* Scenarios 3 - agreed
* Scenario 4 - agreed. The one point I'd make here is the use of the phrase "the Trust awards research funding to the University" as the use of the word "awards" implies a grant (and therefore outside the scope funding), rather than income won by the university under a competitive process.
* Scenario 5 - agreed - but be careful of the situation where "multi-party collaboration" actually covers subcontract arrangements which would be subject to VAT.

Also be wary of:

* zero rating for medical research - only applies to research funded by charitable funds and doesn't cover all goods bought for a grant funded medical research project; and covers very few services at all.
* reverse charge - applies to the goods or service itself, and not the provider. Therefore work done in (say) France by a sole trader would still be caught for RC if the work would be subject to VAT in the UK, even though the trader themselves wouldn't have enough turnover to register if they too were in the UK.