Hackney Education

Schools Finance Support

VAT Procedures

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1.   Background

This procedure note is aimed at promoting greater VAT awareness for finance personnel at schools. It is advised that you refer to Chapter 11 of the Schools Financial Procedures Manual which can be found on the [Schools Finance Web Page](#) or by contacting your Business Analyst for a copy.

VAT is an important subject, and the council is responsible to HM Revenue & Customs ('HMRC') for control of the VAT accounting system. We all have a role to play in ensuring we get it right and do not make careless errors that can lead to penalties.

2   Submitting a Return

2.1   Each month a VAT return must be completed and submitted to the Schools Finance Team by the 7th working day following the end of the accounting period. A copy of all records used in the preparation of this return should be retained at the school. It is imperative that this deadline be met each month to avoid the risk of school's VAT reimbursement claims not being paid by the HMRC due to non-submission or late submission.

3   VAT Reimbursement Journals (FMS)

3.1   VAT Reimbursement Journals are used to record amounts paid by HM Customs & Excise for claims made regarding expenditure from local bank accounts. This does not have any effect on normal transactions handled by the LA.

3.2   Each time you are notified that you have received a VAT reimbursement into your bank account you will need to create a journal entry to record this transaction. VAT reimbursement usually appears on your bank statement. The amount will usually include pence e.g. £550.50.

3.3   As with cash book journals, one side of the transaction is a bank account.
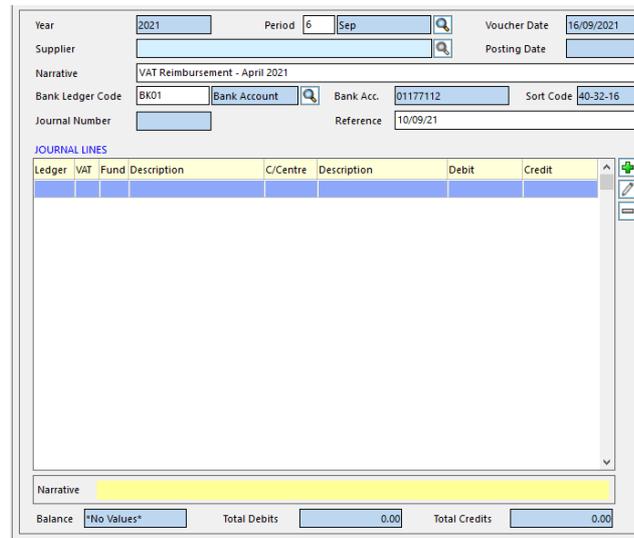
4   Creating a VAT Reimbursement Journal

(a)   Focus – General Ledger – Manual Journal Processing. Click the **Add Record** button on the Focus Bar.

(b)   Select the **VAT Reimbursement** radio button. Click the **Next** button to continue.
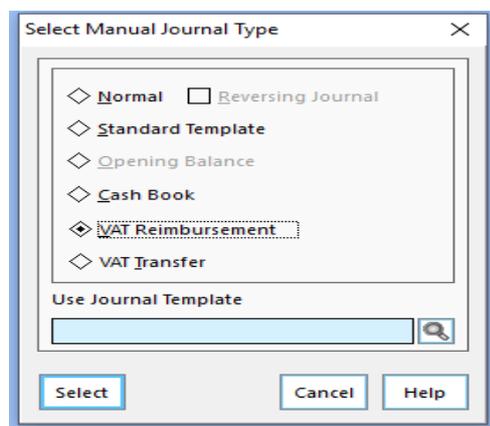
c)   The current financial year and open period are entered automatically. If you need to change the period, click the **Field Browser** button, select required period

(d)   Enter a brief description for the transaction in the **Narrative** section.

(e)   Select relevant bank account in **Bank Ledger Code**

(f)   In the **Reference**, enter a unique reference for the transaction.

You now need to add the line details for the journal.

5   Adding Line Details for a VAT Reimbursement Journal

(a)   Click the **Add Item** button to enter the credit entry for the journal. The information that you enter here will also be used to debit the bank account with the appropriate amount.

(b)   Click the **Field Browser** button for a list of VAT codes defined in FMS. Highlight the relevant VAT for the journal being created and click the **Select** button.

(c)   Enter the amount received that is to be debited to the bank account.

(d)   Select the **Credit** radio button.

(e)   Enter a brief description in the **Narrative** section, if required.

(f)   Click the **Update & Close** button.

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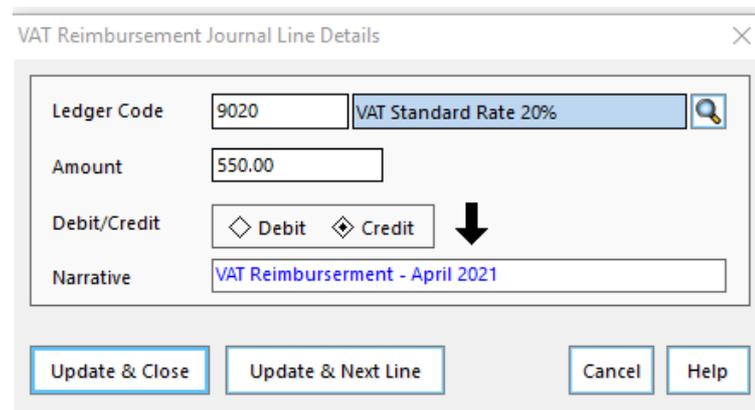
6   Printing a VAT Submittal

(a)   Select **Reports | General Ledger | VAT | VAT Reports**. The screen displayed will show all the previous VAT claims that have been created.

(b)   A new claim needs to be created so click the **+** icon on the right-hand side. Check that the **VAT Year** and **VAT Period** are correct.

(c)   Next it is advisable to run a **Full VAT Report** so that you check what is going to be claimed. Select the **VAT Full Report** radio button, and then click the **Print** button. This report will give full details of all transactions to be included in the period's VAT claim.

(d)   Once happy with what is to be claimed go back to the VAT Report by selecting **Reports | General Ledger | VAT | VAT Reports**. As the VAT claim has not been created you will still need to click the **+** icon.

(e)   Select **VAT Submittal Report**. In the preceding graphic, it was too early to generate the VAT Submittal Report.

> *NOTE: You cannot run a VAT Submittal Report for a period before the end date of that period setup in VAT periods. For example, the May VAT cannot be run until after the 31st of May.*
> *Also, the VAT Submittal Report can only be run once.*

(f)   Click the **Print** button, and then you **MUST** ensure you **confirm that the report has printed.**

The submittal report must be signed by the Head teacher before returning to the Schools Finance Team at Hackney Education.

Closing of Submittal Report Print Process on FMS

Be careful when printing the monthly VAT submittal report, to ensure that you answer "Yes" to the successful print question after retrieving the report from your printer. This will prevent additional transactions being added via Accounts Payable or Receivable after that submittal has been presented for reimbursement.

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Example of a FMS VAT Submittal Report

VAT Submittal

Selection:
Year - 2013 (VAT)
VAT Period - 01/09/2013 to 30/09/2013
Establishment Code - 4321

User: SYS   **Establishment:** Green Abbey School

	Outputs Net	Inputs Net
VAT Period Net Totals :	309,300.00	16,860.00
VAT Totals :	0.00	0.00

I certify that - Expenditure/Income analysed above has been properly
incurred on establishment activities

- and supporting information is available within the records
maintained at the establishment

- and claim the net amount of VAT incurred or enclose a cheque
for the net amount of VAT received

Signed: _____

Designation: _____

Date: _____

VAT Code	Description	Rate	Net Outputs	VAT Outputs	Net Inputs	VAT Inputs
1	VAT Standard Rate 17.5%	17.50	0.00	0.00	0.00	0.00
2	VAT Zero Rate	0.00	0.00	0.00	3,490.00	0.00
3	VAT Exempt	0.00	0.00	0.00	13,370.00	0.00
4	VAT Standard Rate 15.0%	15.00	0.00	0.00	0.00	0.00
5	VAT Income Standard Rate 17.5%	17.50	0.00	0.00	0.00	0.00
6	VAT Income Zero Rated	0.00	0.00	0.00	0.00	0.00
7	VAT Income Exempt	0.00	309,300.00	0.00	0.00	0.00
8	VAT Income Standard Rate 15.0%	15.00	0.00	0.00	0.00	0.00
I	VAT Standard Rate Income 20%	20.00	0.00	0.00	0.00	0.00
T	VAT Standard Rate 20%	20.00	0.00	0.00	0.00	0.00
	Total VAT:		309,300.00	0.00	16,860.00	0.00
	VAT to reclaim		0.00			

MAKING TAX DIGITAL

All Schools must comply with the new Government requirements in relation to Making Tax Digital. In this respect all schools are required to submit the following additional report as part of the monthly submission to Hackney Education.

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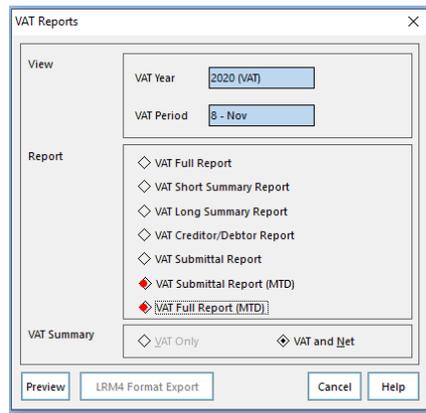
VAT Full Report (MTD)

7 Running and exporting of MTD reports

(a) Go to Reports – General Ledger – VAT- VAT Reports –
Select the printer symbol and you should see the window above

(b) Under **Reports** click the radio button **VAT Full Report (MTD)**

(c) Under **VAT Summary** click the radio button VAT and Net

(d) Select Preview

(e) Click the XLS icon (top left)

This report should be exported in .XML format and saved as the file name sample below. e.g., LA number, Schools DfE number, report name, period e.g 2041234 VAT Full Report (MTD) – e.g. P06

> **Please note that at present the VAT Full Report MTD is required each month as this is the report sent for claiming the VAT Reimbursement.** Before printing this report, ensure that you have **first printed the VAT Submittal** and answered "Yes" to the successful print question after retrieving the report from your printer.

NB-Monthly Requirement

1. **VAT Submittal Report – Signed by Headteacher**
2. **VAT Full Report MTD – Exported to .XLS**
3. **Capital Works Statement – VA Schools ONLY**

VAT Reconciliation

Schools should aim to reconcile their VAT at least quarterly: **June**, **September**, and **December**. The final reconciliation should be completed during the year-end close. VAT Reconciliation Templates are available on the Schools Finance Web Page (under Monitoring).

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