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Equipment Sharing and VAT

VAT Implications of Sharing



- “Sharing” between HEIs is not easy in the world of VAT.....
- But adding VAT increases costs and creates financial dis-incentives for sharing
- And HMRC generously introduced exemption for ‘sharing’ – albeit 35 years late!

The History



- The EU introduced an obscure piece of legislation in 1977* allowing exemption to apply to services supplied by an “independent organisation” to its “members”
- Services must be for “exempt” or non-business by the recipient
- HMRC introduced this into UK VAT law in 2012

* EU Sixth VAT Directive, now the Principle VAT Directive, Article 132(f)

Can we use this “exemption”?

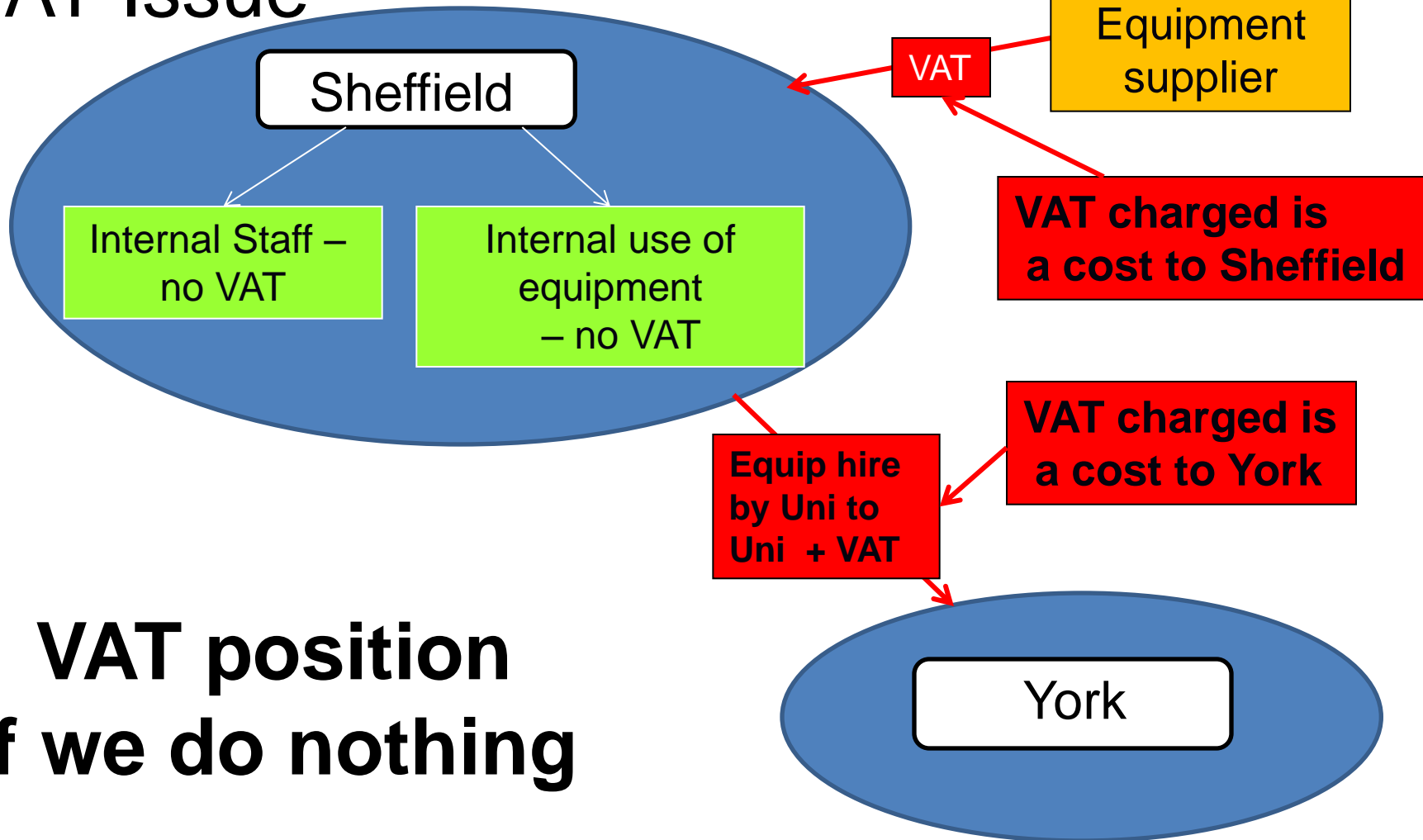


- Lots of hurdles, but they aren't completely insurmountable
- But, is it worth it.....?

N8 – Sharing Equipment with Cost Sharing Groups

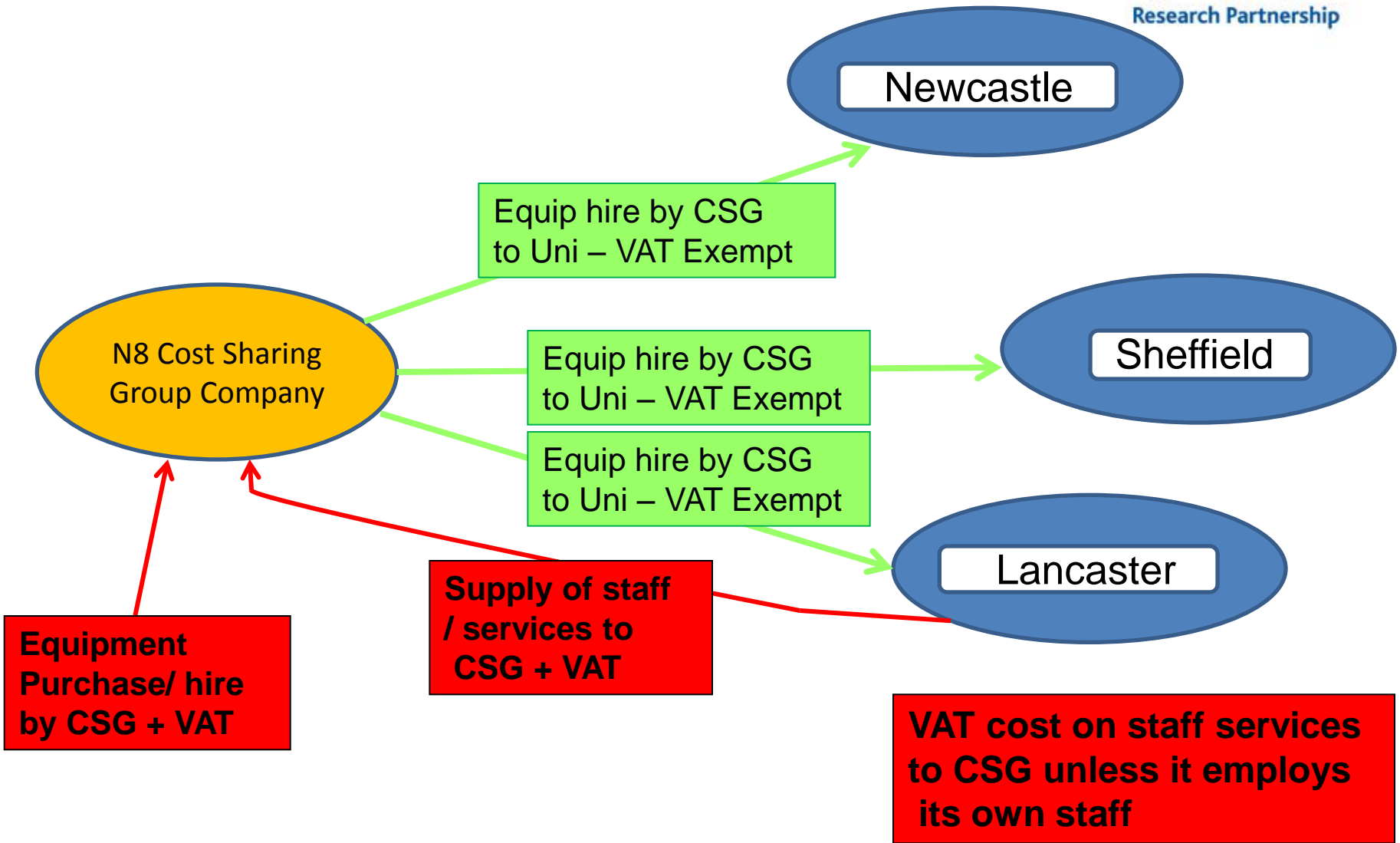


VAT Issue

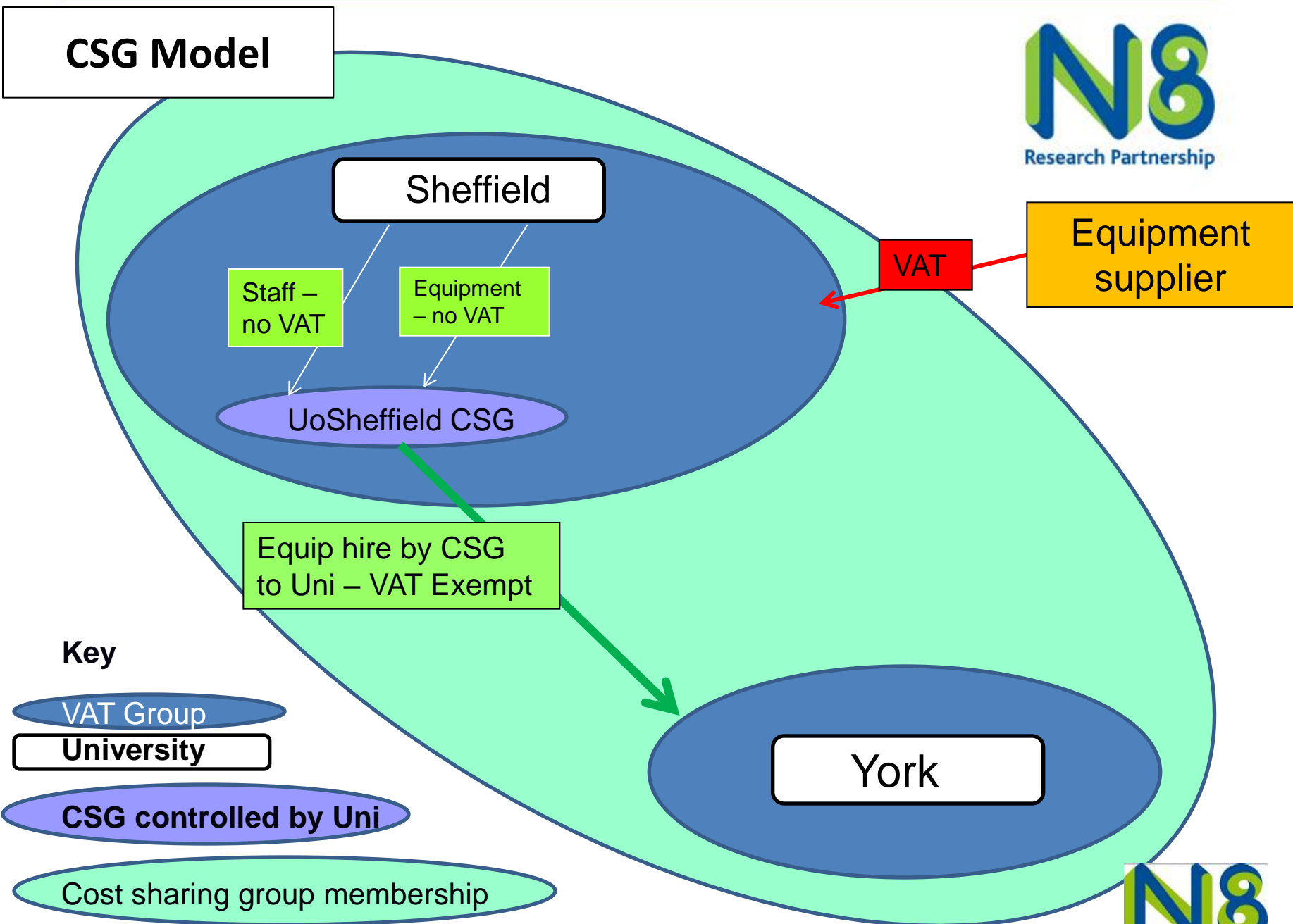


VAT position If we do nothing

N8 – Sharing Equipment with a single VAT Cost Sharing Group



CSG Model



Key

VAT Group

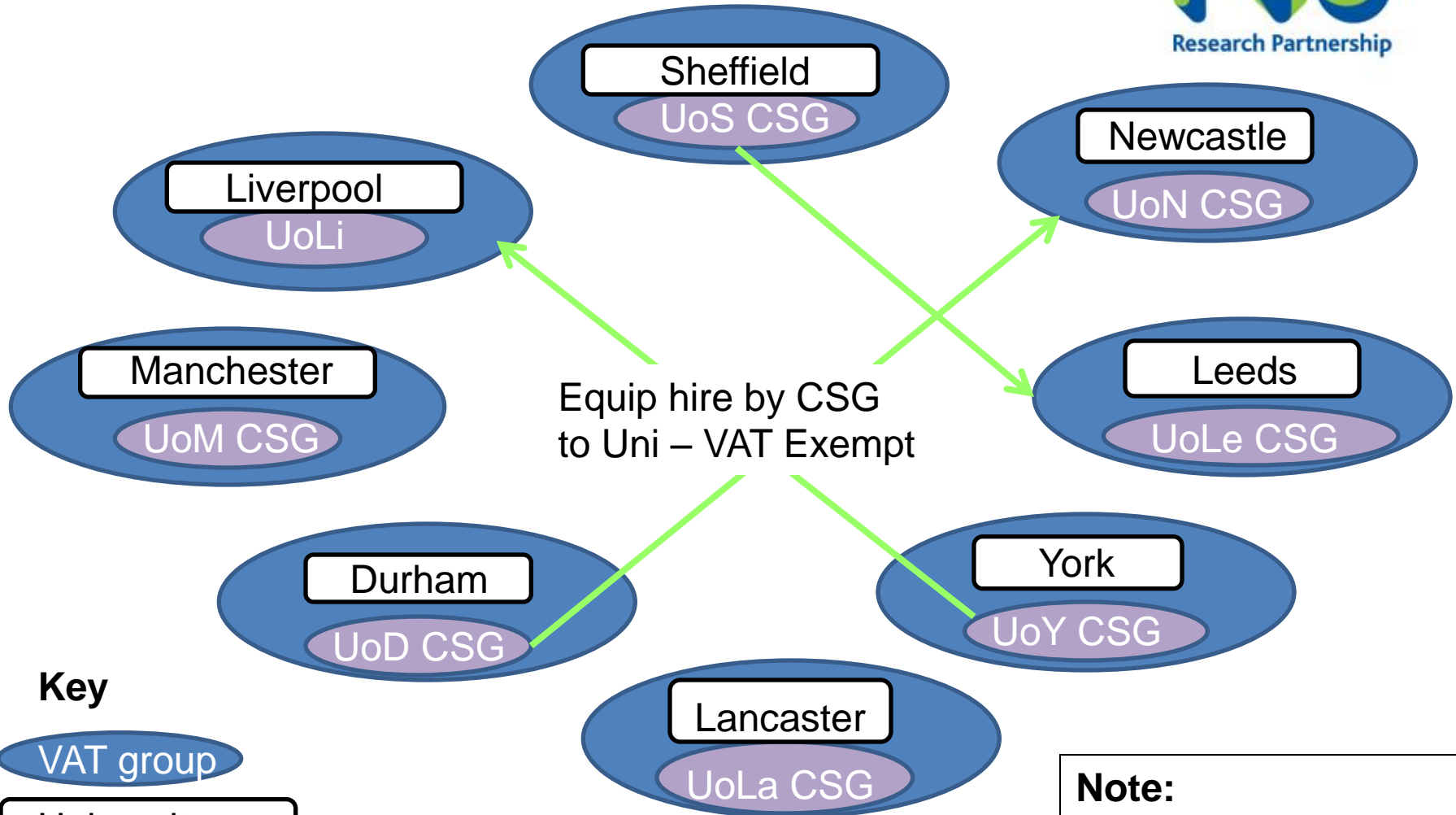
University

CSG controlled by Uni

Cost sharing group membership

VAT Cost Sharing Groups

Full model



Key

VAT group

University

CSG controlled by Uni

Note:
All Unis must be Members of all CSGs

Is it worth it?



- If we can use this for the N8 HPC we will save around £80k/ year of VAT
- If we can use it for other major facilities which are used similarly then the savings will easily outweigh the admin headaches!
- If it gets to the stage where 'sharing' is the norm we can automate processes to make it a lot easier....



Isn't there a simpler way?



No !

Isn't there a simpler way?



But there are 'other' ways depending on circumstances:

- Medical equipment
- Single company with Employees
- Collaboration

N8 Guidance

<http://www.n8research.org.uk/asset-collaboration/>

HEFCE guidance:

<http://www.hefce.ac.uk/pubs/rereports/year/2013/csgexemption/#d.en.83022>

Key Messages

- It is possible to use the Cost Sharing Exemption
- There is some complexity!
- People on the ground need to understand when to use it
- Only time will tell if it is practical

Next Steps

- Encourage establishment of CSGs across N8
- Develop Operational Networks within N8 universities
- Publicise the structure with potential beneficiaries
- Promote toolkit
- Ongoing update FAQ resource

Contacts



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