

VAT – FAQ's

We are sure that you are aware of the current uncertainty surrounding the addition of VAT to School Fees. For all of us involved, there is concern about how this will impact our parents and pupils should this eventually pass into UK legislation.

In order to try and answer some of the questions being asked we have put together an FAQ's to reassure our Rydal Penrhos families. We should also stress that there are currently no definitive answers and, if you are unsure of your personal financial or legal position then we urge you to take the appropriate professional advice.

1. If VAT is added to school fees will Rydal Penrhos immediately pass the increase on to parents?

A: We are working hard to mitigate the impact of VAT being added to school fees including increasing pupil numbers and looking to add to our commercial additional revenue streams to minimise the impact for our parents and carers.

Please also note any fee increases will be in line with our terms and conditions.

2. If I pay 24/25 invoiced fees in full, will I avoid VAT?

A: There has been some discussion regarding whether this would be an opportunity for parents to pay in advance prior to the legislation coming into force. VAT has tax point or “time of supply” rules which determine the point in which VAT would be due. How this would be implemented on school fees is currently unknown.

In most cases, VAT is due on a supply of services on the date the services are performed. The date can be brought forward if an invoice is issued or payment is received in advance, provided that at the time of making the payment or issuing the invoice, the services being paid for are precisely identified. However, where services are “continuous” in nature, tax is automatically due when a VAT invoice is issued or when payment received, whichever occurs first.

We have been advised to urge caution with this approach as previously where changes to VAT law have been introduced such as higher VAT rates, anti-forestalling legislation can be introduced which would bring any payments made in advance of the new law coming into force within the scope of VAT.

However please note how this would be implemented is currently unknown.

3. How will this affect any bursary and scholarship awards?

A: If a bursary covers the total cost of a pupil's education fees no VAT is likely to apply to the fee. Where third party bursaries fund part of the school fees, VAT is still likely to apply to the full fee amount. Where school fees are discounted, under normal VAT rules, VAT would only be chargeable on the discounted amount paid.

4. How soon could a new Government pass this new legislation?

A: Theoretically, a government could pass a law at a time of its own choosing to change the definition of "eligible body" to omit independent schools. This might be part of a new government's budget, or it could be introduced independently of that. As the matter would relate to taxation (a so-called "money bill") the House of Commons would have "financial privilege", meaning that, provided certain conditions are met, the House of Lords would have no ability to oppose it. Therefore, unfortunately this is unknown.