

Internal Memorandum
University College Cork
Introduction of New VAT Procedures from 1st August 2005
Departmental Income (excluding Research Grants)

To: Heads of Academic & Administrative Departments including Academic Services and Student Services

From: Ray Foley, Project Accountant

Subject: VAT – Income from Ancillary Activities

Date: 11th July 2005

Formally, the majority of activities carried out as part of the normal functioning of the University were exempt from VAT as these activities were incidental to education and were not liable to VAT.

Following a decision at the European Court of Justice in relation to VAT on research services supplied by Universities, the Revenue Commissioners have indicated to the University Sector that, in their view, the VAT exemption is only intended to apply to supplies of educational services. The Revenue Commissioners have further confirmed that only activities incidental to the core educational activity of the college may also avail of the exemption from VAT

As a result it is now clear that activities, which are not incidental to the education function, should be treated as liable to VAT. Some examples of activities quoted by the Revenue that should be regarded as VATable are:

- Consultancy Services
- Data Processing
- Market Research
- Computer Services
- Testing and analysis of materials
- Breeding and sale of animals (e.g. rats, mice) for medical research
- Royalties

Examples of activities that will continue to be exempt from VAT are:

- Internal income i.e. income arising in one department but in respect of services made to other college departments.
- Income from educational courses
- Income from the supply of educational services.

From the 2nd August 2005 new VAT procedures are being introduced. It is important that the VAT is correctly applied to ensure compliance with legislation and to ensure that the appropriate amounts are invoiced and collected. The revised procedures will be as follows:

- 1) For all departmental VATable income due from 2nd August 2005, the standard pro-forma invoice attached must be used. The Proforma Invoice can be downloaded from the finance intranet at the following address
http://secretary.ucc.ie/finance/download/proforma_inv.doc
- 2) Each department must use a consecutive number on each invoice prefixed with the departmental code number.
- 3) If the income is VATable then VAT at 21% must be added to the total.
- 4) When payment is received a copy of the pro-forma invoice together with the normal lodgement slip is sent to the cashier in the Finance Office.
- 5) The transaction is completed when the funds are credited to your account and the Finance Office send a VAT invoice to your customer.
- 6) Each department is responsible for the collection of departmental income and for the follow up of outstanding amounts.

It is important that this new system is successfully implemented as it has implications for other VAT procedures between the Revenue and UCC.

To help the smooth introduction of the scheme the following assistance has been arranged:

- 1) An information session will be held on Tuesday 19th July 2005 at 11.00 a.m. in Boole 1. Mr Pat Kennedy of BDO Simpson Xavier will make a presentation and will be available afterwards for detailed queries.
- 2) I will provide a help desk to answer queries regarding procedures and whether income is VATable or not. You can contact me at 2786 or RFoley@UCC.ie.

I look forward to your co-operation in the implementation of this procedure from 2nd August 2005.

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