



HM Revenue & Customs

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Dear Mr Payne

I am writing in response to your letter dated 8 June 2017 in relation to VAT and the Apprenticeship Levy.

I have now received further clarification.

I can confirm that where training is provided by way of business and is funded using monies coming from the SFA, then this will be exempt under item 5C of Group 6. While the relevant law refers to 'the extent to which the consideration payable is ultimately a charge to funds provided by the Secretary of State in the exercise of functions under part 4 of the Apprenticeships Skills Children and Learning Act 2009' the fact that the funding in question passes through the SFA is sufficient to meet this requirement.

Please refer to the VAT Education manual VATEDU58650.

In the first paragraph of this guidance, we state that the VAT treatment of each agreement with the YPLA and SFA must be considered on its own merits. There is reference to the general policy regarding supply and consideration in VATSC30000. In practice, most of the funding provided by the YPLA and SFA passes to public bodies so as to fund, in full, the provision of education or training – in particular by FE Colleges. This is not regarded as a supply for VAT purposes, and such payments are outside the scope of VAT. We understand that you act for a number of commercial providers of education or vocational training, and these are likely to be 'in business'. Where their supplies are funded in ways which meet the terms of item 5C (or Items 5, 5A or 5B) then these will be exempt to the extent that they are so funded.

I hope this information helps to clarify the matter.

Information is available in large print, audio and Braille formats.
Text Relay service prefix number – 18001



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VAT Manuals can be accessed online via our website www.gov.uk/hmrc by following these steps: >>VAT>> Forms and reference material >> VAT HMRC manuals.

If you have any questions about this matter, please contact us and quote the reference number. Go to our website for copies of our VAT publications or call the VAT Helpline on 0300 2003700. You can follow HMRC news and updates on Twitter@hmrcgovuk.

Yours sincerely

Mrs A Cave

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