

Charitable Schools and construction

Private schools are generally treated as businesses for VAT purposes, which means that building projects attract VAT at 17.5%.

In a recent case, however, instead of paying formal school fees, parents made contributions as gifts to the whole community for the benefit of all the students. They were asked for a minimum contribution, (at Tribunal the ones mentioned were £2,976 minimum plus a per child figure of £1,272). Any people who didn't pay the minimum received counselling and funding from the charity's general funds.

The Tribunal said that the activity carried on by the school was the means whereby the charitable objects of the trust were achieved. The intrinsic nature of the activity of the school could not be said to be economic in its character. Although the school was an undertaking of considerable size and was professionally managed with financial prudence and business processes, its activity was driven not by economic or business factors but by the practice and promotion of Steiner philosophy. The provision of schooling and education at the school in the particular manner as carried out by the trust was not in VAT terms an activity carried out in the course or furtherance of a business. Accordingly, the classroom building was constructed for use solely for a relevant charitable purpose and was zero rated for VAT.

Any charitable schools that are contemplating building projects should at least consider this case, particularly genuine charitable ones i.e. where the charity may finance part of the fees.