Jisc’s VAT-exempt cost sharing group

Frequently asked questions

1. **What is Jisc’s VAT-exempt cost sharing group?**

The VAT-exempt cost sharing group (CSG) enables the members of the group to save VAT on any of Jisc’s optional services which are within the group. A full list of Jisc’s services, including which are in the subscription and which are optional is available for HE and FE. A list of the optional services that are in the CSG is available [here](#).

The Jisc subscription is not part of the CSG due to a more favourable way of managing the VAT on the subscription charge.

2. **This sounds too good to be true. Is it tax avoidance?**

We were very careful to get approval in advance from the VAT Policy Unit at HM Revenue and Customs before setting the group up. Jisc is one of the largest CSGs that we are aware of.

3. **How do we become a member of the CSG?**

Every UK higher and further education organisation has the opportunity to join the CSG.

In order to join the group, you will need to register as an ‘institutional member’ of Jisc. From the date you are registered you will not be charged VAT on any relevant services that are inside the group, except when the service relates to the purchase of third party provided content when the VAT savings will be effective from the next renewal.

A list of institutional members is available on our website [here](#).

Membership of the CSG is on an institutional, rather than individual basis. There should only be one application per institution.

For further information about how to join the CSG please contact governance@jisc.ac.uk. Please note, however, that Jisc and its officers and employers cannot give you legal, financial or tax advice.

4. **Will my organisation have any liability associated with being an institutional member of Jisc?**

Every institutional member of Jisc will have its liability limited to £1, payable only in the event of Jisc ceasing to exist following an insolvent winding up. The £1 liability stems from the fact that Jisc is a company limited by guarantee. Jisc is registered at Companies House and with the Charity Commission for England and Wales.
5. Are there conditions of membership of the CSG?

Institutional members will need to adhere to a set of conditions of the CSG. These have been set by the HM Revenue and Customs. If the circumstances of your organisation change and you are no longer able to comply with these conditions, you must let us know immediately. The conditions are as follows:

**In respect of the services purchased from Jisc**

i. Prior to the end of each of Jisc’s financial years (currently 1 August to 31 July) institutional members shall agree to purchase services that are in the CSG (i.e. applicable services) from Jisc in the subsequent year and shall actually purchase one or more of the applicable services in that year.

*Membership of the CSG will be terminated automatically if the member does not purchase any of the applicable services in that year and VAT will be due at the prevailing rate on any relevant services to which your organisation subscribes from that point.*

ii. The supplies made by the CSG to the institutional member must be ‘directly necessary’ for their exempt and / or non-business activities in order to benefit from the VAT exemption.

iii. To the extent that the institutional member undertakes any taxable business activities, Jisc will be required to charge VAT on the taxable use proportion of the service. The institutional member shall provide to Jisc documentation supporting the apportionment of the taxable / exempt business use of the service in order that the VAT to be charged can be determined. This documentation could be, for example, the partial exemption workings included in the VAT return of the institutional member.

*If an institutional member fails to provide Jisc with the required documentation, HMRC require that Jisc charges VAT on the full value of the service provided.*

Whilst the above steps may seem stringent, these are essential in order to protect the whole cost sharing group by ensuring it continues to meet HMRC’s conditions.

6. My organisation’s VAT recovery rate is not calculated until at least three months after our year end, therefore we may not know our taxable / exempt use of the service until after Jisc has supplied us with services. What will be the retrospective impact?

The apportionment of exempt / taxable use of the service being provided can be based on your partial exemption method for the current year, included in your VAT returns, your business/ non-business method or anything else HMRC accept is fair and reasonable.

Where the actual percentage used is adjusted by you as part of any partial exemption annual adjustment or error correction, HMRC require that the member must notify Jisc no later than the first accounting period after the adjustment is determined/error identified. Jisc must issue a credit/debit note reflecting any adjustment no later than the first accounting period after the member has notified Jisc that an adjustment is required.
7. The conditions of the CSG require its members to agree to purchase services in advance of the year ahead and then to actually do so. Organisations can cancel their membership by giving Jisc three months' written notice. Can this notice be given within the year or does it have to be at least three months prior to the start of the coming year in order for the membership conditions to be met?

Membership of the CSG can be cancelled by giving three months’ written notice at any point within a given year.

8. Will these conditions of the CSG change?

The conditions of the CSG are based on current legislation relating to VAT as interpreted by HM Revenue and Customs' latest guidelines. If there is a further change to the applicable legislation or guidelines which requires amendments to be made to the conditions, we will notify all members of the group in writing detailing the amendments.

9. Where can I find more information about the constitution of Jisc?

The Articles of Association of Jisc can be found on the company and charity details page of our website. Jisc’s constitution allows for two classes of membership: one class comprises representative members, which includes Jisc’s guarantors – the Association of Colleges, GuildHE and Universities UK. Each of these representative members holds 30% of the voting rights. The other class of membership comprises institutional members, which is open to all higher and further education organisations across the UK. This class holds 10% of the voting rights.

10. How will my organisation be represented with regard to governance matters of Jisc?

As a formal necessity, the application form asks you to nominate a representative body (either Universities UK, GuildHE or the Association of Colleges) as a conduit through which institutional membership matters are dealt with. We recommend that institutional members appoint the most applicable representative member of Jisc. If you do not wish to nominate a representative member to act in this way, please contact governance@jisc.ac.uk and we will discuss alternative arrangements with you.

11. Will selecting one of UUK, GuildHE or AoC as our representative body also require us to join one or the other of those bodies?

No, your organisation will not need to join the selected representative body in order for them to act as your conduit for institutional membership matters. Please select the body which you feel is most appropriate in order to complete the application process.

12. What are the institutional membership matters referred to where AOC / UUK / GuildHE will be acting as our conduit?

The matters being referred to are those formal company law procedures relating to your institutional membership of Jisc, such as formal notice of general meetings. There is no distinct disadvantage to you (in terms of reduced voting position) by operating via a conduit and this is merely being used to save compliance and administrative costs.
13. Does this mean our only contact with Jisc will be through the representative body?

No. Jisc is committed to ensuring we have a range of effective and clear mechanisms through which to engage with all of our members. For example, as part of our governance, we hold a stakeholder forum which meets annually to which your organisation will be invited. Information about how we engage with you locally and regionally is also available on our website.

14. What happens if the composition of my organisation changes – e.g. it merges with another organisation?

Any such change to the composition of your organisation should be reported to governance@jisc.ac.uk as soon as possible to allow us to make the necessary changes to our records to ensure that you receive a seamless service.

15. Why won’t every service that Jisc offers be exempt of VAT?

There will be some Jisc services which will still attract VAT. These VAT-able services arise when the charge is totally or substantially for third party costs and where there would be a significant adverse impact on Jisc’s VAT recovery rate, and therefore our cost base, if they were invoiced within the CSG. We will ensure that this approach is reviewed continually in order to provide the maximum benefit for members of the cost sharing group.

The Jisc subscription is not part of the CSG due to a more favourable way of managing the VAT on the subscription charge.

16. My organisation has a second Janet fibre connection. Why is this not included in the CSG?

The cost of your organisation’s primary Janet connection is included within the Jisc subscription. VAT is applicable on the subscription charge for any organisation that pays a Jisc subscription.

Regarding additional connections, Jisc leases telecoms circuits from the relevant local commercial telecoms provider on a +VAT basis and recharges these non-pay costs, without a mark-up, to your institution on a +VAT basis. There is thus no VAT advantage to either your organisation or Jisc from placing this in the CSG.

17. What are the invoicing arrangements?

The Jisc subscription and the majority of the services in the CSG will be invoiced by Jisc.

There may be instances where, for the mutual benefit of both you and the Jisc Group, we will invoice for some Jisc services outside of the cost sharing group. In those cases, the services will usually attract VAT and be invoiced by a Jisc subsidiary company. In these circumstances you may receive an invoice from Jisc Services Limited.

18. My organisation needs to budget for the costs of Jisc’s optional services during the next financial year. Can the current charges excluding VAT be taken as a reasonable indicator of the subsequent years?

In general we hope that the future base cost of optional chargeable services will be reasonably similar to current levels. However, many of the Jisc Group’s services (and particularly for digital content delivered by Jisc Collections) are procured from external third party suppliers - so if the Jisc Group itself receives higher input costs from external suppliers we will need to pass on these increased costs.
19. What happens to the assets if for any reason Jisc is dissolved?

In accordance with charity law, our Articles of Association confirm that, in the event of the dissolution of Jisc, our net assets (after all debts and liabilities are paid) will be used in any of the following ways:

- Directly for the Objects; or
- By transfer to any charity or charities for purposes similar to the Objects; or
- To any charity or charities for use for particular purposes that fall within the Objects

20. Can my membership of the CSG be cancelled in the future?

You can cancel your membership of the group by giving us three months’ written notice. Once membership ends, you will no longer be an institutional member of Jisc or be able to benefit from the savings of the CSG and VAT charges at the prevailing rate will apply to any relevant services to which your organisation subscribes.

Jisc is within its rights to cancel an organisation’s membership if any charges for applicable services are not paid in full within three months of it falling due, or if Jisc becomes aware that an organisation no longer complies with the conditions of the CSG.

21. What if we choose not to join the CSG?

The CSG is separate from your membership of Jisc. If you choose not to join the group you will continue to benefit from the services you receive as a member of Jisc. However, you will not be able to benefit from the cost sharing group. VAT charges at the prevailing rate will apply to any relevant services to which your organisation subscribes.

22. Can Jisc give me tax advice?

Unfortunately, no. Jisc and its officers or employees cannot give you legal, financial or tax advice.

23. Who do I contact if I have any questions that are not covered here?

Please send any further questions to governance@jisc.ac.uk.

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