

GUIDELINES ON THE VAT TREATMENT OF EDUCATIONAL SERVICES

What are Educational Services?

In terms of item 1(b) of the Second Schedule of the VAT Act, a supply of services means a supply that is not a supply of goods.

In terms of item 12 of Part Two of the Fifth Schedule to the VAT Act, Educational Services consist of the following:

- The provision of education or educational research, including distance learning, by a government school or institution, by the University of Malta, by a school or institution registered under the Education Act, or by any educational establishment recognised as such by the Commissioner;
- The provision of education or educational research, including distance learning, of a kind provided by a school or university, or of religious instruction, by a non-profit making institution recognised as such by the Commissioner;
- Tuition given privately by teachers acting in an independent capacity in subjects which are normally taught in the course of education provided by a school or university but excluding tuition in recreational, physical or sporting activities or disciplines.

Thus a supply of Educational services does not include the supply of goods such as books, school uniforms, shoes and school bags for students.

How are Educational Services treated for VAT purpose?

Educational services shown above are exempt from VAT without credit, i.e. the supplier of these services does not charge VAT and does not claim back any VAT incurred in the course of his activity.

How are other items of goods related to education, such as books etc, treated for VAT purpose?

Maltese VAT legislation is harmonised with the EU VAT Directive 2006/112/EC (previously known as the Sixth VAT Directive). As such all supplies of goods incur VAT except where a specific derogation exists.

Malta has no derogation to exempt from VAT any books, school uniforms, shoes and carrying bags for students and other goods related to education. Therefore with regard to these goods, Malta has to impose VAT at the standard rate of 18% with the exception of books and other printed matter on which a reduced rate of 5% can be imposed in terms of item 6 of Annex III of the VAT Directive.

However in terms of article 132(i) of the VAT Directive as reproduced in item 12(4) of Part Two of the Fifth Schedule to the VAT Act where a school, institution, university or teacher, as the case may be, supplies goods that are connected with and essential for the supply of educational services referred to above, no further VAT is to be charged on the cost plus VAT incurred by the institution on the goods. For example if an institution purchases books or uniforms or items essential for the provision of its educational services, in order to supply them to its students, it will include the VAT which it incurs in the price of the product but it cannot charge VAT on the final price of the item it supplies to the customer.

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