

Guidance for Interpretation – Exempt Educational Services

Guidance note issued in terms of article 75(2) of the VAT Act, Chapter 406, Laws of Malta

1. What are Educational Services?

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

(1) 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.

(2) 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.

(3) 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.

(4) Any training in the arts which is provided by an organisation accredited by the Register for the Accreditation in the Training of the Arts.

Educational services do not include the supply of any other ancillary services or the supply of tangible goods such as books, school uniforms, shoes and school bags for students.

2. How are Educational Services treated for VAT purpose?

Educational services referred to 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.

3. What is the VAT treatment of goods (tangibles) related to education, such as books etc. and other services that are connected with and essential for the supply of the educational services referred to in 1. (1), (2), (3) and (4) above?

Maltese VAT legislation is harmonised with the EU VAT Directive (2006/112/EC). As such all supplies of goods and services incur VAT except where a specific derogation exists or where these are exempt.

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 applied in terms of item 6 of Annex III of the VAT Directive. The same treatment applies to any other services which are not exempted in terms of the above.

However in terms item 12(5) of Part Two, 5th Schedule to the VAT Act (in line with article 132, 1.(i) of the VAT Directive), there are circumstances where such goods and services are exempt in the case where:

(5) the said supply is connected with and essential for the supply of services referred to in paragraphs (1), (2), (3) and (4) by the school, institution, university, teacher or organisation, as the case may be, supplying the said services, or supplied by any other organisation recognised by the Commissioner as an organisation which has similar objectives.

For example, if an institution (school) purchases books or uniforms or other goods which are 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 customers. That is to say, it will incur the input VAT without deduction and it will supply it to the students without charging further VAT.

Furthermore, for the purposes of item 12(5) of Part Two of the 5th Schedule mentioned above, the term “*connected with and essential for*” does not refer to the following:

- The provision of accommodation
- Catering services
- The letting of any movable or immovable tangible property
- Parking facilities
- Social activities and entertainment

The supply of an excursion shall only be considered as connected with and essential for when this would form part of a study visit in the course of the provision of education in school curriculum subjects.

The Commissioner for Revenue reserves the right to amend, alter or remove this document as necessary at any time.

These guidelines supersede previous guidelines published on 28th September 2007.

Commissioner for Revenue

20th July 2016