

Imperial College London – Catering Department VAT Statement

Following the reduction in VAT, from 17.5% to 15%, charged by the government from 1 December, the Commercial Services team have been examining the effect on prices charged to both students and staff.

The first point to emphasise is that VAT is not charged by suppliers on the majority of food items that the College purchases as food is generally zero rated for VAT. In fact the only items bought by the catering organization where VAT is charged are:

- Carbonated drinks - Coke, Red Bull etc
- Water, iced tea, fruit juices.
- Smoothies, energy drinks.
- Alcohol
- Chocolate, confectionery.
- Chocolate biscuits.
- Crisps and some nuts.
- Ice Cream & Sorbet
- Coffee syrups

The College took the decision some time ago to differentiate the price charged to students and to staff. In addition visitors to the College are charged a higher price than staff. This price structure was implemented to benefit students as under the system they do not pay VAT on transactions. Not all organisations have taken up this option and indeed the majority of universities charge one price including the full VAT rate if appropriate for all customers.

Most businesses are able to re-claim the VAT for the goods they purchase for onward sale. If this did not happen then the VAT man would benefit twice! As the College charges students no VAT, it has been agreed with Customs & Excise that it is able to reclaim only some rather than all of the VAT that it pays on goods it purchases in the catering operation.

For this reason on a transaction basis the implications of the VAT decrease are negligible (for example, 0.3p for a Mars Bar) and it is therefore inappropriate to adjust prices.

As you are aware selling prices have not changed since 1 December and a complete analysis of the first week's sales has been undertaken. Figures show that the College profited by maintaining the published prices to the tune of £ 796 from staff transactions and £ 151 from student transactions.

Having said all of the above it is not the College's intention to benefit financially from this change in government policy. Catering is run for the benefit of the students and staff of the College on a "Not for profit" basis. Therefore to reflect the marginal increases the College has seen from the change to VAT the following actions will be taken:

- For Staff – The SCR will be refurbished over the Christmas period and in January will re-launch with a 25p discount on meals with a 2 course meal at £5 and a 1 course meal at £4 (previously priced at £5.25 and £4.25 respectively)
- For students – The catering department will donate £2k to the 2009 ICU Ball and will in addition run unbudgeted promotional offers through the year.

