Statutory Document No. 2025/0102

Value Added Tax Act 1996

VALUE ADDED TAX ACT 1996 (AMENDMENT) ORDER 2025

Approved by Tynwald: *21st May 2025*
Coming into operation in accordance with article 2

The Treasury makes the following Order under section 96 of the Value Added Tax Act 1996.

1 Title

This Order is the Value Added Tax Act 1996 (Amendment) Order 2025.

2 Commencement

(1) If approved by Tynwald, this Order comes into operation on the day after it is made[1].

(2) However, when this Order comes into operation, articles 3 and 4 shall be deemed to have come into operation on 30 October 2024 and have effect in relation to any provision of education, vocational training or board and lodging falling on or after 1 January 2025 (whenever that supply is treated as taking place for the purposes of the charge to VAT)[2].

3 Amendment of the Value Added Tax Act 1996

(1) The Value Added Tax Act 1996 is amended as follows.

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1 Tynwald procedure-affirmative under section 95(3) of the Value Added Tax Act 1996. Section 95(3) of the Value Added Tax Act 1996 provides that, except as referred to in subsection 95(3), a public document made by the Treasury under the Act shall be laid before Tynwald as soon as practicable after it is made, and if Tynwald at the sitting at which such public document is laid or at the next following sitting resolves that the public document shall be annulled, the public document shall thereupon cease to have effect.

2 Section 95(6) of the Value Added Tax Act 1996 provides that where the Treasury considers it necessary that a statutory document made under that Act should conform with any provision made by statutory instrument in the United Kingdom relating to VAT in force at the time, that order may be made retrospective. The corresponding order in the United Kingdom came into force on 30 October 2024.

(2) In section 8 (reverse charge on supplies received from abroad), in subsection (4A), for "Schedule 10" substitute "Part II of Schedule 10 and not specified in Part III of that Schedule".

(3) In section 31 (exempt supplies), in subsection (1), for "Schedule 10" substitute "Part II of Schedule 10 and it is not of a description specified in Part III of that Schedule".

(4) In section 43 (groups of companies, in subsection (2A) —

(a) in paragraph (b), for "Schedule 10" substitute "Part II of Schedule 10 or are within any of the descriptions specified in Part III of Schedule 10";

(b) in paragraph (c) for "Schedule 10" substitute "Part II of Schedule 10 or which do fall within any of the descriptions specified in Part III of Schedule 10".

(5) In Part II of Schedule 10 (exemptions) —

(a) in Group 6 (education) —

(i) in item 3(b)(i), after "5" insert "(or would be so exempt but for item 1 or 2 of Part III)";

(ii) in item 4, after "item 1 (the principal supply)" insert "(whether or not that supply also falls within item 1 or 2 of Part III)";

(b) after Part II (the groups) insert —

"PART III

EXCEPTIONS

Item No.	
1.	The provision of education by a private school, other than — (a) the provision of the teaching of English as a foreign language; (b) the provision of education in a nursery class; or (c) the provision of a higher education course[3].
2.	The provision of vocational training by a private school.
3.	The provision of board and lodging which is closely related to a supply of a description falling within item 1 or 2.

Notes:

(1) A "private school" means an institution which is either —

(a) a school —

[3] See s. 59 of AT 33 of 2001.

(i) at which full-time education is provided for pupils of compulsory school age or;

(ii) where fees or other consideration are payable for that provision of full-time education; and

(iii) which is not a nursery school; or

(b) an institution —

(i) which is wholly or mainly concerned with providing education suitable to the requirements of persons over compulsory school age but under 19;

(ii) at which full-time education is provided for such persons;

(iii) where the provision of full-time education falling within sub-paragraph (ii) is wholly or mainly provision in respect of which fees or other consideration are payable; and

(iv) which is not an independent training or learning provider.

(2) In Note (1)(b) an "independent training or learning provider" means an institution —

(a) at which education or training is provided for persons over compulsory school or age but under 19 under a contract with a relevant contracting authority; and

(b) where the consideration for the provision falling within paragraph (a) is payable by the relevant contracting authority under that contract.

(3) For the purposes of items 1 and 2, the provision of education or vocational training at a private school by any eligible body other than a private school is to be treated as provision by a private school if —

(a) the eligible body and that private school are connected within the meaning of section 119C of the Income Tax Act 1970[4]; or

(b) the provision by the eligible body is a result of arrangements the main purpose, or one of the main purposes of which is to secure that the provision is an exempt supply.

(4) For the purposes of Note (4) —

(a) "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable); and

[4] AT 3 of 1970.

(b) an "eligible body" has the meaning given by Note (1) to Group 6.

(5) For the purposes of item 1 —

(a) a "nursery class" means a class that is composed wholly (or almost wholly) of children who —

(i) are under compulsory school age; and

(ii) would not be expected to attain that age while in that class; and

(b) "higher education" has the meaning given by section 31 of the Education Act 2001.

(6) For the purposes of item 2 "vocational training" has the meaning given by Note (3) to Group 6.

(7) In these Notes, "compulsory school age", "pupil" and "school" have the meanings given by the Education Act 2001[5]. ".

4 Charge on pre-paid private school fees

(1) Subject to paragraph (3), where a payment in respect of the provision of education services during a school term was received by the person providing the services on or after 29 July 2024 and before 30 October 2024, that provision is treated for the purposes of the charge to VAT as a supply taking place on the later of —

(a) 1 January 2025; and

(b) the first day of that term.

(2) The provision under paragraph (1) is not to be regarded (as a result of provision made by or under the Value Added Tax Act 1996) as a supply taking place at any other time.

(3) But subsection (1) does not apply to the provision of education services by a school if the school is approved under section 20 of the Education Act 2001 (special education at other schools).

(4) In this section "the provision of education services" means a provision of education, vocational training or board and lodging falling within Part III of Schedule 10 (exceptions).

(5) This section is to be read as if it were contained in Value Added Tax Act 1996.

[5] AT 33 of 2001.

MADE 9TH APRIL 2025

DR ALEX ALLINSON MHK
Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Value Added Tax Act 1996 ("the Act"), removing the VAT exemption on private school fees. These amendments are being made in line with amendments made in the United Kingdom, as required under the terms of the Customs and Excise Agreement 1979, which requires the Island to keep its laws relating to the management of VAT in line with United Kingdom law.

The Order inserts Part III of Schedule 10 to the Act (supplies which are exempt from the charge to VAT). The exceptions being inserted by Part III include private school fees for education and vocational training, and any closely related board and lodging, which result in these items being subject to VAT at the standard rate (20%) from 1 January 2025.

Consequential amendments are made to sections of the Act to update references to Schedule 10 taking account of the new exceptions.

The Order includes anti-forestalling provisions applicable to all pre-payments of private school fees and boarding services.