



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

10 May 2016

Kelvin Hopkins MP  
House of Commons  
London  
SW1A 0AA

*Jer Kelvin,*

The VAT implications of Sixth Form Colleges becoming 16-19 academies

Thank you for your letter of 4 May bringing this issue to my attention. My officials had made me aware of this, and have been actively considering solutions. I am pleased to share our approach to handling this issue with you.

As set out in November's Spending Review, the Government is committed to putting the Further Education sector on a sustainable footing through the Area Review process.

A key part of this is giving Sixth Form Colleges the opportunity to become 16-19 academies, thereby allowing them to recover their non-business VAT costs. As you highlight, it is important that colleges do not face unaffordable cost pressures associated with historic VAT charges when they make this transition.

Therefore, I can confirm that Sixth Form Colleges which incur this retrospective VAT charge on their buildings when choosing to academise as part of Area Review recommendations will be reimbursed for the VAT charge through the restructuring facility, so long as they continue to use the premises for the same charitable purposes.

Sixth Form Colleges or Further Education Colleges which face this charge when merging with one another where this is recommended by Area Review Boards will also be eligible for this reimbursement, so long as they continue to use the premises for the same charitable purposes as before.

This will not impact the way the restructuring facility operates with respect to other costs arising from Area Review recommendations. Colleges are independent institutions, and the implementation of Area Review recommendations will deliver long-term savings to them. As such, in the majority of cases, we expect them to fund any short-term investment required. Only in cases where required funding cannot be secured will support from the restructuring facility be considered.

The Department for Education and the Department for Business, Innovation and Skills will be publishing full guidance on this shortly.

*Best with,*  
*George*

GEORGE OSBORNE