Guidance on ... paying for goods or services purchased online (including through PayPal)

This note provides guidance on the financial management of on-line purchases, include specific guidance about payment through PayPal (or similar intermediary services).

**What to consider**

Purchasing from on-line auction sites is **NOT advised**. The University has limited protection when purchasing on-line. The **procurement team** won’t be able to negotiate on your behalf if you are not satisfied with goods purchased through on-line auction sites.

Ideally, purchases of goods and services for the University should be made from a **contracted supplier**. However, if you do decide to make a purchase from an on-line auction site then, **before** you make your purchase, you must have prior approval from:

1. your Head of Department
2. the **procurement team**
3. your funding body if you are paying for the item from a research grant, or any other external funding source where specific terms and conditions apply to expenditure

**Paying for your goods or services**

Before making on-line purchases you should set your computer to the highest level of security notifications and monitoring. CiCS provide guidance on **on-line security**. The advised method of payment for on-line goods and services is by credit card (including a University Purchasing Card) on a secure web site.

You should be aware that there are a number of known issues about paying for goods or services purchased on-line for University use:

**UK or EU purchase?**

If you purchase an item from another **European Union (EU) Member State** then you should provide the seller with the **University’s VAT number** to ensure that they charge you the correct rate of UK VAT.

If you don’t provide, or there is no way of providing, the University’s UK VAT number on-line then the seller is required to charge you their local VAT rate which we can’t reclaim.

Depending on the quality of the receipt issued with your goods or services (see advice below) it may not be possible to identify that a non-UK VAT rate has been charged on the item. This could result in the University paying the EU VAT costs on the item, and then paying UK VAT to **HM Revenue and Customs (HMRC)** as well, resulting in double taxation.

**Receipts and documentation**

It is the responsibility of the card holder to retain all **original** receipts for purchases made on their University Purchasing Card. Credit card receipts alone cannot be accepted as they do not itemise goods and services purchased, nor do they show the VAT element of the purchase.
Valid VAT receipts and/or VAT invoices are required:

1. to support the University’s annual VAT return to HMRC
2. to reclaim any VAT the University is entitled to from HMRC
3. to support claims to Research Councils and Funding Bodies (for Research Grant payments)

Documentation provided with on-line purchases can be misleading, you should note that:

- receipts from intermediary payment sites (including PayPal) are **NOT** valid VAT receipts or VAT invoices
- on-line order confirmations are **NOT** valid VAT receipts or VAT invoices
- paperwork received with your delivery can (but doesn’t always) include a VAT receipt or VAT invoice

**Specific issues with PayPal**

Many on-line auction sites, and other on-line sites, request that payment is made via PayPal. There are a number of **additional** issues about making payment for goods or services for the University using the PayPal (and other intermediary payment sites) method:

- Depending on how the seller sets up their PayPal user name it may come through on the University Purchasing Card statement as a payment to ‘PayPal’ with no further information about the purchase or the seller, and this is not detailed enough to support claims to HMRC or the Research Councils or other external funding bodies (as above).
- PayPal (and other intermediary payment sites) are legally required to take actions to restrict potential money laundering activities.

To comply with the law these payment companies have to validate that a payment method (usually a credit card) can be linked to a valid UK bank account once a threshold is reached (the threshold is set around £1,900). Once the total value of purchases made on an account reaches the threshold no further purchases can be made until the card is validated.

To make the validation a payment company (like PayPal) require access to a UK bank account to undertake small value transactions. In the case of PayPal accounts (which have used a University Purchasing Card for the payment method) this means the validation transaction would access the University’s bank account. Only if the validation transaction was successful would the PayPal account be validated.

To comply with their legal obligations the payment companies can only link one bank account to one payment account registered on their site (ie, if provided the University’s bank account would only be able to be used once to validate one PayPal account).

**PLEASE NOTE**

1. The University won’t issue replacement Purchasing Cards to users who are unable to validate PayPal (or any other payment company) accounts once the threshold has been reached
2. The University won’t give PayPal (or any other payment company) access to its bank account for the purposes of validating on-line payment accounts

**Useful links for additional guidance**

Contact the [tax team](#) for advice about VAT
Contact the [procurement team](#) before making exceptional purchases using Purchasing Card
Database of [contracted suppliers](#)
Guidance on using [Purchasing Cards](#) and queries about statements contact the [payments team](#)