

Temporary Reduced Rate (5%) of VAT: Hospitality, Holiday Accommodation and Attractions (COVID-19) – 13/07/20

Introduction

The Tax Centre of Excellence (Tax CoE) is a central resource for departmental tax advice and services available to government departments. Further information on the Tax CoE can be found at the [Tax CoE website](#).

In response to the COVID19 pandemic, the government announced a temporary cut in the VAT rate from 20% to the 5% reduced rate for certain supplies relating to hospitality, hotel and holiday accommodation and admissions to certain attractions. The temporary reduced rate will apply to supplies made between 15 July 2020 and 12 January 2021.

This is supplementary guidance with the aim of helping you understand the impacts of this VAT rate change, it does not replace or modify HMRC's own guidance which is available on gov.uk. The Tax CoE is not responsible for any action taken (or not taken) because of this guidance.

Key references to HMRC guidance and legislation can be found below and more specific links are provided in each section.

- [HMRC Policy paper - Guidance on the temporary reduced rate of VAT for hospitality, holiday accommodation and attractions](#)
- [HMRC Guidance – VAT: Reduced rate for hospitality, holiday accommodation and attractions](#)

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 - hospitality;
 - hotel and holiday accommodation; and,
 - admission to certain attractions.
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1. Supplies of hospitality, hotel and holiday accommodation and admission to certain attractions

The legislative change temporarily introduces a 5% reduced rate on certain supplies of:

Hospitality – The supply of food and non-alcoholic beverages on your premises as well as hot takeaway food and non-alcoholic beverages for consumption off the premises.

Hotel and holiday accommodation – The supply of sleeping accommodation in a hotel or similar establishment, certain supplies of holiday accommodation and charge fees for tents/caravan pitches and certain associated facilities.

Admission to certain attractions – This applies to businesses that make supplies of admissions that are currently taxable at the standard rate, examples include theatres, concerts, museums and exhibitions. It does not include any supplies that are already VAT exempt, or supplies of admission to sporting events.

For more information on the specific details see:

- [HMRC VAT Notice 709/1 Catering, takeaway food](#)
- [HMRC VAT Notice 709/3 Hotels and holiday accommodation](#).
- [HMRC guidance VAT on admission charges to attractions](#)

We encourage you to think carefully about the supplies you make and receive to ensure you understand the full impact and range of supplies affected.

2. Accounting for supplies – tax point rules

In most cases, VAT will be accounted for at 5% for supplies made between 15 July 2020 and 12 January 2021. However, there may be situations where for example:

- the supplies straddle the temporary reduced VAT rate; or
- where payments are received or invoices raised before 15 July 2020 which are for supplies that take place on or after 15 July 2020.

HMRC VAT guide ([VAT Notice 700, sections 30.7.4 to 30.9.2](#)) provides specific guidance on the ability to use the special provisions when the tax rate goes down so that the new rate/basic tax point applies even when an invoice has been raised/payment received prior to the change but the supply is in the period of the temporary reduced rate.

Your organisation may wish to engage with your suppliers around the implications of these rules.

3. Impacts and next steps

3.1 Supplier invoices and payments

Suppliers should use the 5% VAT rate where this is relevant to the goods and services they deliver, examples include those providing on-site canteens and catering facilities – including vending machines located in canteens/staff restaurant-type areas, and hotel accommodation.

Invoices received against existing Purchase Orders already set up on Purchasing/Financial systems to expect VAT at 20% may need manual intervention to release the payment at the rate of VAT shown on the suppliers' invoice, as the invoices will not meet the normal "three-way-match" protocol within the payment system (depending on your payment release criteria). This will also be necessary where the invoice covers services supplied both before and after the 15th July 2020. Departments who use Shared Services or contracted-out service providers will need to agree the processes to be adopted with their provider.

Suppliers who use electronic interfaces to upload invoices directly into the Purchasing/Financial systems will need to ensure the appropriate VAT rate is included in line items affected by the change, to meet the appropriate system matching/verification checks, and allow the correct payment to be made.

If an invoice must be paid via a manual payment process, the VAT rate selected will need to match the rate indicated on the supplier's invoice.

3.2 New Purchase Orders (POs)

New POs for supplies impacted should be set up using the functionality within the Purchasing/Financial system to select the UK Reduced Rate of VAT (5%), either at Supplier level, or on a PO by PO basis where the supplier provides services that attract both the Standard and Reduced rated VAT.

3.3 Raising Invoices (sales)

Departments who raise invoices for supplies of the affected services will need to ensure they use the Reduced 5% rate for Output VAT on services supplied between 15 July 2020 and 12 January 2021. Where the VAT treatment within the Accounts Receivable/Financial system is currently hard-coded based on the nature of the sale, amendments will be needed to reflect the temporarily changed VAT rate. Manually raised invoices should have the correct VAT rate selected, based on the tax point rules (so initially invoices may have separate lines for the pre-15th July Standard 20% rate, and the 15th July onwards Reduced 5% rate).

4. Further information

Your feedback is important to us to understand how helpful our guidance is and how we can develop these so that they support you effectively in the future. Please email the [Tax CoE inbox](#) if you have found this useful, if you have any questions or would like further assistance from us.