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## VAT – Temporary reduced rate for the hospitality and hotel accommodation sectors

The Government is continuing to introduce measures to support businesses during the Coronavirus pandemic. One of the most recent is the reduction in the VAT rate for the hospitality/holiday accommodation and attractions sectors from 20% to 5%.

These sectors include the provision of sleeping accommodation (including B&Bs, furnished holiday lets, camping sites and full scale hotels); food and catering providers (businesses which provide hot/cold food for consumption on site or hot food/drink to takeaway); and visitor attractions (from theme parks, museums and cultural attractions to garden/house visitor entry fees).

The scope is wide-ranging and will impact not only those who primarily trade in the hospitality sector but also those with small, diversified sidelines, such as a Shepherd's hut or tea room attached to a farm shop.

### Exclusions

There are a number of important items excluded from this scheme which should be treated in accordance with the usual rules:

- The sale or provision of alcohol;
- The sale of cold food/drink for consumption off site;
- Provision of accommodation for more than 28 days whether furnished or not.



### Mixed supplies

Where separate components of a supply are individually listed and priced on an invoice, the VAT treatment will be specific to each individual item.

In some cases, in particular venue hire, an “all-inclusive” price will cover a variety of items that may not necessarily be individually priced (eg a wedding package that includes venue hire, waiting staff, catering and room hire). This is a mixed supply and will follow the treatment of the main element of the supply. In practice each must be reviewed on its own merit to ensure the correct VAT treatment is applied.

## Timing

The scheme runs from 15 July 2020 to 12 January 2021.

All eligible invoices raised and either part or fully paid in this period should have the reduced VAT rate applied, even if the booking is for a period after 12 January 2021.

Some eligible invoices may have been raised and a deposit paid prior to 15 July 2020 for a booking to apply after this date. VAT at a rate of 20% would have applied to such invoices. The business can, at its discretion, raise a credit note and re-invoice the booking using the reduced VAT rate. If so, and a VAT invoice was originally issued, then a credit note and revised invoice must be issued advising of the VAT amendment.



Does this issue raise any questions in your mind?

Would you like more information?

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## Decisions

Another point to consider is whether to pass on the VAT reduction to the customer.

Reducing the price may encourage increased footfall when customers may be tightening their belts.

Alternatively prices can be kept the same but the VAT element paid to HMRC reduces. This will increase the cash retained by the business per transaction but will not necessarily promote increased customer numbers.

Overall, every business must review its own position and determine what will best suit its business strategy.

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