



VAT Alert

HMRC publishes guidance on temporary application of reduced rate for hospitality and tourism sectors

9 July 2020

Summary

Following the Chancellor's summer statement on 8 July, HMRC has today published guidance on the application of the reduced rate of VAT on both admission charges to attractions etc and supplies by hospitality and holiday accommodation businesses.

The guidance covers what supplies will qualify for the reduced rate and how to account for the new reduced rate.

The application of the reduced VAT rate to 5% is intended to encourage consumers to return to restaurants pubs and cafes etc and to return to hotels and similar and other attractions after the coronavirus lockdown.

Guidance issued by HMRC

Following the Chancellor of the Exchequer's announcement in the summer statement on 8 July 2020, HMRC has published guidance on how the reduced rate of 5% is to apply to certain supplies of hospitality, accommodation and admission to attractions.

In essence, the guidance confirms that, with effect from 15 July 2020, suppliers of certain hospitality services (such as supplies of food and non-alcoholic drink) for consumption on the premises will be entitled to account for VAT at 5% rather than at the current standard rate of 20%. The reduced rate of VAT will also be available for hot take-away meals and to hot take-away non-alcoholic drinks (Tea and Coffee etc).

As far as hotel and similar accommodation is concerned, businesses will be entitled to apply the reduced rate of 5% to supplies of sleeping accommodation in a hotel or similar establishment, for certain supplies of holiday accommodation, and the supply of a pitch for a caravan or tent and associated services.

Finally, as far as admission to attractions are concerned, again, suppliers will be entitled to apply the reduced rate of 5% to all supplies of admission between 15 July 2020 and 12 January 2021. In certain circumstances, fees for admission are currently exempt from VAT (eg if they are supplied by non-profit making bodies and are of a cultural nature). In these circumstances, the exemption will continue to apply and will take precedence over the application of the reduced rate.

The reduced rate will apply to the supply of admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas exhibitions and similar cultural events and facilities. HMRC has also suggested that the reduced rate may also apply to admission to a planetarium, botanical gardens, studio tours and factory tours. Importantly, HMRC has stated that the reduced rate will not, however, apply to the admission to sporting events.

Where other goods or services are supplied along with the right of admission, the guidance confirms that where these are incidental to the supply of admission, the whole of the consideration for admission will be liable to VAT at the reduced rate.

Admission to live (not pre-recorded) online or digital performances may also be eligible for the reduced rate.

Businesses supplying accommodation and food etc under the Tour Operators' Margin Scheme will be affected by application of the reduced rates but will continue to apply VAT at the standard rate on the standard rated margin calculated under the TOMS formula but 'in-house' supplies may be subject to the reduced rate for the temporary period of application.

HMRC has amended a number of Public Notices to cater for these changes. Businesses affected by them should familiarise themselves with these new rules.

Businesses should contact their usual Grant Thornton advisor or can get in touch with any of the contacts listed below.

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