

## Temporary VAT cut from 15 July 2020 to 12 January 2021 – What you need to know

In this week's fiscal update, the government announced that from 15 July 2020 to 12 January 2021, the 5% rate of VAT would apply to supplies made in the hospitality, accommodation, and attractions sector. More details have now been released on what these changes will mean for businesses in this sector and G+E have put together the following summary to help you work through the detail.

Please contact one of our team if you would like our help to understand the changes and how they will affect your business.

The reduction in the rate of VAT to 5% will apply to the qualifying supplies listed below to the extent that the supplies would otherwise have been subject to VAT at the standard rate.

### What supplies qualify for the temporary VAT cut?

- Food and non-alcoholic beverages sold for on-premises consumption, for example in a café or restaurant.
- Hot takeaway food and hot takeaway non-alcoholic beverages.
- Sleeping accommodation in hotels or similar establishments, holiday accommodation, pitch fees for caravans and tents, and associated facilities.
- Admission charges to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities such as planetariums, botanical gardens, studio tours and factory tours.
- Online live performances (not pre-recorded events) unless already covered by the Cultural VAT exemption.

HMRC have confirmed that the reduced rate applies only to admission fees. However, if goods are supplied as part of the admission fee and are "incidental", the reduced rate can be applied to the whole supply. Whether or not something is "incidental" is specific to each business and it is the taxpayers' responsibility to demonstrate this. HMRC's guidance published on 9 July 2020 provides further detail (see below).

### What about visits to breweries and distilleries?

If a ticket for a tour of a brewery or distillery includes an alcoholic beverage to consume as an incidental part of the tour the beverage qualifies for the temporary VAT cut. An alcoholic beverage sold separately, or part of a separate supply of a meal, is subject to VAT at the standard rate. The food element of the meal, and any non-alcoholic beverages consumed with the meal, qualify for the temporary VAT cut.

### Examples of supplies that are not eligible for the temporary VAT cut include:

- Admission charges to sporting events and use of sporting facilities.
- Alcoholic beverages, except when supplied as an incidental part of a tour of a brewery or distillery – see above.
- Food and drink sold otherwise than in the course of catering. Some non-alcoholic beverages, for example, will be subject to the standard rate of VAT when sold in a supermarket and the 5% rate of VAT when sold in a café or restaurant.
- Supplies that currently qualify for the zero rate of VAT or exemption from VAT.

### Must businesses pass on the benefit of the VAT reduction to consumers?

As with any VAT reduction, there is no requirement for businesses to pass on the benefit of the VAT reduction to consumers.

Many businesses may struggle to deal with the necessary administration to do so in the few days before the change becomes effective. And of course, for many affected businesses, accounting for VAT at the rate of 5% rather than the standard rate of VAT on qualifying income may only partly compensate them for the reduced capacity and additional costs arising from the coronavirus pandemic.

### Further information can be found in HMRC's guidance at:

<https://www.gov.uk/guidance/vat-reduced-rate-for-hospitality-holiday-accommodation-and-attractions>

<https://www.gov.uk/guidance/vat-on-admission-charges-to-attractions>

<https://www.gov.uk/government/publications/revenue-and-customs-brief-10-2020-temporary-reduced-rate-of-vat-for-hospitality-holiday-accommodation-and-attractions>

## Eat Out to Help Out – What you need to know

The Eat Out to Help Out Scheme (“the scheme”) is designed to encourage the general public to visit pubs, restaurants and other establishments to eat out in a bid to help boost the economy and support this sector.

The scheme will be available Monday to Wednesday, starting on Monday 3 August to Monday 31 August. Businesses who have registered for the scheme will be able to offer adults and children a 50% discount, of up to £10 per head (inclusive of VAT), for food and soft drinks to eat or drink in.

There is no limit to the number of times a customer can use the offer during the period of the scheme. Business will be able to register for the scheme from 13 July.

### What businesses are eligible to register for the scheme?

Any business which sells food/drinks:

- for immediate consumption at its own dining area (including hotels, restaurants within attractions and workplace canteens) or shares a dining area with another establishment for eat-in meals (such as shopping malls, train station etc); and
- registered as a food business with the relevant local authority on or before 7 July 2020.

### What businesses / types of expenditure are not eligible?

The scheme is not available if your business is involved in only:

- takeaway food or drink;
- catering services for private functions;
- a hotel that provides room service only;
- dining services (such as packaged dinner cruises); and
- mobile food vans or trailers

Ineligible expenditure includes:

- alcoholic drinks;
- tobacco products;
- food or drink that is to be consumed off the premises; or
- food or drink sold as part of a private party or event

There are a number of specific examples of eligibility in HMRC’s guidance. See link below.

### How do I register for the scheme?

For registration, you will need:

- your Government Gateway ID and password (you can create one on HMRC’s website)
- the name and address of each establishment to be registered, unless you are registering more than 25 establishments, in which case you will need to provide your website link which has details of all the establishments. You should try to register all eligible establishments together.
- the UK bank account number and sort code for the business (where a BACS payment can be accepted)
- the address on your bank account for the business
- VAT registration number (if applicable)
- employer PAYE scheme reference number (if applicable)
- Corporation Tax or Self Assessment unique taxpayer reference

Once registered, you will receive a registration reference number which you will need for the reimbursement by the government. Your business will be added to a list of registered establishments that will be available to the public. If you want to stop using the scheme, you can contact HMRC but you must also inform consumers.

### When can I start offering a discount?

Remember, you shouldn’t offer discounts before you are registered for the scheme or 3 August (whichever is later). If you do, you won’t be able to claim the discount for that period back.

### How do I make a claim and what records should I keep?

The reimbursement service will be available from 7 August 2020 and close on 30 September 2020.

You must keep records of the:

- total number of people who have used the scheme in your establishment
- total value of transactions under the scheme
- total amount of discounts you've given

If you are using the scheme for more than one establishment, you must keep records for each.

You must wait 7 days from registration to make your first claim and the claims can be weekly. HMRC will pay eligible claims within 5 working days.

### How do I account for VAT if I'm offering discounts under the scheme?

You can use the scheme alongside other offers and discounts you are offering. However, the scheme will be applied on the amount after you have applied other discounts.

Alcohol sales and service charges are **excluded** from the scheme.

You will still need to pay VAT based on the full amount of your customers' bills. From 15th July 2020, the 5% VAT rate will be charged on eat-in food and non-alcoholic beverages, therefore the total value will be inclusive of VAT at 5%.

### Example calculations for 4 people dining out:

5% VAT inclusive bill	£105.00
Service Charge (10%)	£10.50
Amount spent on Alcohol	£20.00
Total Bill	£115.50
Amount eligible for Discount	£85.00
Discount Capped (£10/person)	£40.00
Bill after discount	£75.50

### Further information can be found in HMRC's guidance at:

<https://www.gov.uk/government/publications/get-more-information-about-the-eat-out-to-help-out-scheme>

<https://www.gov.uk/guidance/register-your-establishment-for-the-eat-out-to-help-out-scheme>

**Please contact one of our specialist VAT team if you would like any help understanding the changes and how they will affect your business.**

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