
The Temporary 5% VAT Rate

Basic Outline

- The Government are reducing certain VAT rated supplies down from the 20% standard rate down to a 5% temporary rate.
- It covers the period from 15th July 2020 to 12th January 2021.
- Aimed at the hospitality, hotel and holiday accommodation sectors as well as admissions to certain attractions.

Food and drink

The temporary rate can apply to:

- The supply of food and non-alcoholic drinks for the consumption on the business premises such as pubs, cafes, restaurants and similar establishments.
- The supply of hot takeaway food and hot (non-alcoholic) takeaway beverages.

The temporary rate does **not** apply to:

- Alcoholic drinks. The supply remains standard rated.
- Any supplies of food and drinks that are supplied as part of a supply of catering services for consumption off the premises. The supply remains standard rated.

Hotel and holiday accommodation

The temporary rate can apply to:

- The provision of sleeping accommodation in hotels, inns, boarding houses, B&Bs, private residential clubs, hostels, serviced flats (other than those for permanent residential use).
- The supply of seasonal pitches for caravans, including supplies of facilities provided in relation to the occupation of the pitches.
- The provision of pitches for tents and camping facilities.

Admission to certain attractions

The temporary rate can apply to:

- Admission fees to attractions like theatres, museums, fairs, zoos, amusement parks, shows, studio tours, factory tours, cultural events.
- If the main supply is the admission fee and there is an incidental supply included as well, the whole supply will attract the temporary reduced rate.

Please note:

- If the admission fee is currently VAT exempt that takes precedence over the temporary measure.

Other issues to note

- If you are using the Flat Rate Scheme then certain percentages within the Scheme will be reduced by HMRC to take account of the temporary measure.

- The temporary reduced rate will have an impact on those business using the Tour Operators Margin Scheme