COVID-19: VAT update

Indirect Tax

28 August 2020

Since our last update we have a new temporary reduced rate of VAT, more clarity on the VAT implications of the Eat Out to Help Out scheme and guidance on e-publications.

Temporary reduced rate for certain supplies of hospitality and tourism

On 8 July, the chancellor announced a temporary reduced rate of 5% applicable to certain supplies of hospitality and tourism (https://tinyurl.com/y2cel8pu).

This reduction in the VAT rate will take effect for supplies made between 15 July 2020 to 12 January 2021.The supplies covered include:

- food and non-alcoholic beverages sold for on-premises consumption, for example, in restaurants, cafes and pubs;
- 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; and
- admission to attractions that are not eligible for the cultural VAT exemption, including theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities.

HMRC have issued a new Revenue and Customs Brief 10 (2020) (https://tinyurl.com/y2fwmnwz) covering the temporary reduced rates, and updated the existing notices which cover the affected supplies.

The ATT and CIOT have submitted a number of questions and comments to HMRC on the scope and operation of the temporary reduced rates. Keep an eye on the ATT (www.att.org.uk/ tempVATreduction) and CIOT (www.tax.org.uk/COVID19ITX) websites for further updates.

Eat Out to Help Out

The Eat Out to Help Out scheme gives diners a 50% discount (up to a maximum of £10 per head) on purchases of food and non-alcoholic drinks from registered businesses from Monday to Wednesday between 3 and 31 August 2020, which the business can then reclaim from the government.

HMRC have confirmed the following regarding the VAT treatment of this scheme:

- VAT should be accounted for on the final discounted bill, after taking into account any scheme discount. The rates are 5% on meals and non-alcoholic drinks, and 20% for alcoholic drinks.
- VAT equivalent to the 5% temporary reduced rate (1/ 21 VAT fraction) must be declared on income received from the government under the scheme.

More information can be found on GOV.UK at: https://tinyurl.com/yyexckhg.

VAT on e-publications

The government announced on 30 April that the intended zero rating for specified supplies of electronic publications, due to take effect from 1 December 2020, would be brought forward to 1 May 2020. This was to assist people confined to their homes as a result of workplaces and schools being closed due to lockdown measures.

HMRC have since added a new section 9 to its VAT notice 701/10 ‘Zero rating books and printed matter‘ (https://tinyurl.com/yyc2odsw), plus 20 pages of e-publications guidance (https://tinyurl.com/y4eejr3v) to their VAT manuals. This includes commentary on the News Corp case, the treatment of supplies spanning 1 May 2020, e-publications with no equivalent printed form and the VAT liability of music.

If you have any comments or questions on any of the above issues, please send these to technical@tax.org.uk or atttechnical@att.org.uk.