

Reduced rate VAT for hospitality, holiday accommodation and attractions

Background information

The government introduced a temporary reduced rate of VAT which applies to certain supplies made by VAT registered businesses relating to:

- Hospitality
 - applies to food and non-alcoholic beverages consumed on the premises, for example, a restaurant, café, or pub
 - hot takeaway food and hot takeaway non-alcoholic drinks
- Hotel & holiday accommodation
 - sleeping accommodation in a hotel or similar establishment
 - holiday accommodation
 - caravan pitches and associated facilities
 - tent pitches or camping facilities
- Admissions fees to certain attractions (which are not currently covered by an exemption), such as:
 - concerts
 - fairs
 - exhibitions

For supplies made between 15th July 2020 and 20th September 2021 the rate will be **5%**.

For supplies made between 1st October 2021 and 31st March 2022 the rate will be **12.5%**.

Any supplies outside of these periods will be charged at **20%**.

Any other supplies other than hospitality, holiday accommodation and attractions are not affected by the rate change.

VAT codes in T1

Default VAT codes come from the project code or budget centre code and have been determined by the activity being carried out.

If you are purchasing hospitality or accommodation (as detailed above) during the period 15th July 2020 to 31st March 2022 you will need to change the default VAT rate code to either 5% or 12.5% depending on the date of supply:

Default VAT rate code from project or budget centre code	Equivalent 5% code valid from 15/07/20 to 30/09/21	Equivalent 12.5% code valid from 01/10/21 to 31/03/22
P1 (partially recoverable)	P2	PP12
PN (non-recoverable)	PNR	PN12
S (fully recoverable)	R	PF12

This will apply to requisitions, expense claims and purchasing card reconciliations.

You can enter or search for the codes in the VAT code box.

Payment made at an old rate or straddles the rate change

A tax point is made when an invoice is issued and this determines what rate of VAT is to be charged.

If an invoice has been issued/paid at an old rate and the supply has not yet taken place then a credit note should be issued along with a new invoice showing the new rate.

If you have made a booking and not yet paid for it, the VAT will be calculated on checkout and the rate applicable at the time of stay.

If you have already paid for a future booking and it straddles the VAT rate change, then two things could apply:

- 1) If each night is charged separately then the amount paid should be corrected. It is up to the hotel whether this actually changes the total paid and who gets the VAT saving, i.e. you could have paid £50 per night and the amount doesn't change just the VAT portion. A new VAT invoice would still need to be issued by the supplier.
- 2) If you were charged a weekly rate then only one rate may apply. Again this is at the hotel's discretion whether they correct it or not.

Further guidance

Please contact the Tax Team if you need any further guidance at VAT@exeter.ac.uk

HMRC guidance on the temporary rates can be found at:

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