

# THE REDUCED RATE OF VAT FOR HOSPITALITY & ATTRACTIONS

This applies to those making supplies of hospitality, and admission to certain types of attractions.

## Background

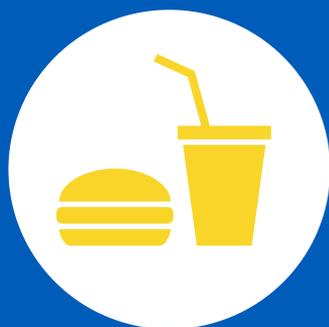
The UK Government announced on the 8th July 2020 that the rate of VAT for supplies of hospitality (catering), hotels and holiday accommodation, and admissions to certain attractions would be reduced to 5%. These changes were brought in to support business that were severely affected by forced closures and strict social distancing measures.

Of course here in the Isle of Man we already enjoy the 5% VAT rate for hotels and holiday accommodation that are located in the Island.

This temporary reduction came into force on 15th July 2020 and was due to finish on 12th January 2021; however it has now been extended until 31st March 2021.

## Affected supplies

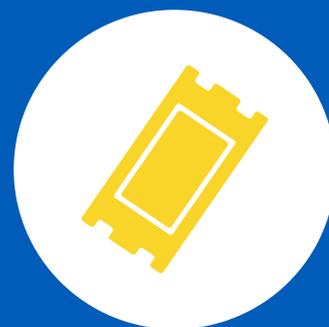
The following supplies on-island will be able to benefit from the 5% reduced rate:



Sales of food & non-alcoholic beverages



Hot takeaway food & hot non-alcoholic beverages



Admissions to certain attractions

## Businesses involved in the hospitality sector

For example, restaurants, cafés, public houses and outdoor caterers, this covers the supply of all food and non-alcoholic beverages for consumption on the premises.

The sale of alcoholic beverages remains taxable at the standard rate of 20%. Any alcoholic served with a mixer is still an alcoholic beverage and remains standard rated. Sales of Shandy and other low alcohol beverages will qualify for the reduced rate.

Any offers of food with an alcoholic beverage (e.g pie and a pint) are not to be viewed as a single supply of food. The charge will need to be apportioned between the reduced rate food and the standard rated alcohol.

### **Suppliers of catering services to customers for consumption off-site**

Supplies of catering services to customers for consumption off-site remain standard rated.

Catering services include:

- Third party supplies of catering for events and functions (eg wedding receptions and conferences)
- Supplies of cooking or food preparation provided at the customer's home

### **Hot takeaway food and hot non-alcoholic beverages**

Those who supply hot takeaway food and hot non-alcoholic beverages for customers are also eligible to charge the reduced rate on their sales and deliveries.

### **Admissions to certain attractions**

For certain attractions that are not already covered by the "cultural" exemption, the reduced rate may be applicable to admission charges where a single charge is made granting entry to the whole site or area and there are no further charges for any internal parts.

## How to do your VAT return

Completion of your VAT return is carried out just as before. if you issue invoices then you should show the 5% reduced rate, not 20%.

For your sales you still need to declare the VAT in box 1 and the net value in box 6, purchases are unchanged – the VAT paid goes in box 4 and the net value in box 7.

Although we do have a box 10 on our Isle of Man VAT returns for 5% rates, this is only for providers of hotel and holiday accommodation and for domestic property repairs, the temporary rate must not be included.

## Summary

<b>Box 1</b>	<b>Total VAT on sales (both 5% and 20%)</b>
<b>Box 4</b>	<b>Total VAT on purchases</b>
<b>Box 5</b>	<b>"the difference between box 1 and box 4"</b>
<b>Box 6</b>	<b>Net sales</b>
<b>Box 7</b>	<b>Net purchases</b>

## The Flat Rate Scheme (FRS)

For those businesses using the FRS the rates that you are currently using have also been adjusted in light of the temporary VAT rate as follows:

### Catering

**4.5% (15/07/20–31/03/21)**

**12.5% (before/after)**

### Hotels & Accommodation

**0% (15/07/20–31/03/21)**

**10.5% (before/after)**

### Catering

**1% (15/07/20–31/03/21)**

**6.5% (before/after)**

## Where can i find out more?



[gov.uk/guidance/vat-reduced-rate-for-hospitality-holiday-accommodation-and-attractions](https://gov.uk/guidance/vat-reduced-rate-for-hospitality-holiday-accommodation-and-attractions)



In person - Custom House, North Quay, Douglas  
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