

Hospitality and Leisure - Temporary VAT rate reduction during the pandemic

Did you overpay and how to reclaim

Background

At the height of the pandemic in July 2020, a reduced rate of 5% VAT was introduced on supplies of catering, hot takeaway food, hotel and holiday accommodation and entrance to attractions. The temporary VAT rate reduction proved effective in providing the hospitality & leisure sector with a much-needed boost, increasing profits for many and helping businesses to mitigate the additional costs incurred as a result of the pandemic.

VAT rates during the pandemic

While the temporary VAT reduction relieved businesses in the short-term, the pandemic's impact outlasted the relief period, with holiday and event postponements continuing into 2022 and 2023 in the face of consumer uncertainty. Now the industry has new challenges with soaring interest rates and utility bills, higher staff costs and decreased consumer spending placing pressure on businesses.

With financial pressures mounting, it is vital that hospitality & leisure businesses take full advantage of the reduced and transitional VAT rates and make sure they have not overpaid on their taxes.

20%

Pre-pandemic
Prior to 15 July 2020

5% ▼

15th July 2020

12.5% ▲

1 October 2021
Transitional 12.5% VAT
rate comes into force

20% ▲

1 April 2022
VAT rate returns to
pre-pandemic levels

Opportunities to reclaim

Errors made on VAT returns can be revisited within a period of four years from the end date of the relevant tax period. This means there is still time for hospitality & leisure businesses to review circumstances on a case-by-case basis to ensure VAT has been accounted for in the correct period and paid at the rate that was in effect at that time.

VAT time of supply rules can be complicated, especially where deposits and settling balances have been made in different periods to when the services were performed. Overpayments may have occurred in the following areas (this list is not exhaustive):

- Holiday accommodation (hotels, cottages, caravan parks, lodges and campsites)
- Weddings
- Events and functions
- Issue and redemption of vouchers
- Offsetting of agents' fees

Are you eligible to reclaim?

Our tax experts can conduct a thorough evaluation of your accounts to identify any VAT overpayments and opportunities to reclaim. [Contact us today](#) to discuss how we can support your business.



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