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Indirect Tax Alert

UK Tax Authority introduces temporary cut in VAT rate for hospitality and tourism sector

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On 8 July 2020, The United Kingdom (UK) Chancellor, Rishi Sunak, delivered his "Summer economic update" in the House of Commons.

Aimed at boosting the tourism/hospitality sector following COVID-19, the Chancellor announced a targeted reduction on the Value-Added Tax (VAT) rate applied to most tourism and hospitality related activities - from 20% to 5%. This includes supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises and supplies of accommodation and admission to attractions. The reduction will apply from 15 July 2020 to 12 January 2021.

Further guidance on the scope of the VAT reliefs will be published by the UK Tax Administration, Her Majesty's Revenue and Customs (HMRC) in the coming days.

This will impact businesses both from a systems and process perspective. Given the broad definition of leisure and hospitality services, businesses will need to determine if they have any supplies that fall within the new reduced rate. As the new rates apply from 15 July, implementation will be more complicated than it initially appears.

Please join our webcast on 14 July where we will be discussing the impact of the UK and global VAT rate changes (click [here](#) to register).

For additional information with respect to this Alert, please contact the following:

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