



UK Value Added Tax (VAT) Reduction effective 15th July 2020

Overview

Initial guidance following the Government's announcement as of 8th July 2020 regarding the VAT in the UK. <https://www.gov.uk/guidance/hotels-holiday-accommodation-and-vat-notice-7093>
Crest Hotels considering the government's decision to decrease the VAT on accommodation, food and non-alcoholic beverage from 20% to 5% from 15th July 2020 until 12th January 2021 in support of our industry and to encourage consumers to travel and stay in hotels.

Policies

Accommodation Rates and Menu Prices commencing 15th July 2020

All rates to be changed for bookings commencing 15th July 2020 onwards to take into consideration the VAT change. If the rate was £69.00, the new rate would be £61.00 ($£69.00 / 1.2 = £57.50 * 1.05 = £60.38$, round up to the nearest £1.00).

Prices will still be yielded subject to demand, there base rate to change as indicated and tiered according to the hotel revenue management policy.

Menu prices for food and non-alcoholic beverages (to include hot beverages) commencing 15th July 2020 onwards to take into consideration the VAT change. If the menu price was £3.95, the new rate would be £3.50 ($£3.95 / 1.2 = £3.29 * 1.05 = £3.45$, round to the nearest £.50).

Accommodation Rates Already Booked from 15th July 2020

Bookings that are quoted as inclusive of VAT and have a stay date in the period 15th July 2020 and 12th January 2021 amended to reflect the reduced VAT. Exceptions for prepaid bookings and bookings with deposit as outlined below.

Property Systems 15th July 2020

Property systems to be updated as early as possible on the 15th July 2020, with VAT set at 5% for all product items required (PMS & EPOS % EVENTS – if applicable). VAT difference treatments to be completed manually.

Websites & Marketing Collateral 14th July 2020

All printed collateral (menus) to be updated with new prices 14th July 2020, and websites updated with new menus and banner advising VAT reduction applied to all new prices and products application to the reduction.

Frequently Asked Questions and Answers

Existing bookings: Bookings that are quoted as inclusive of VAT and have a stay date in the period 15th July 2020 and 12th January 2021 should be amended to reflect the reduced VAT. Exceptions for prepaid bookings and bookings with deposit as outlined below.

Bookings Advance Purchase: Where payment has been taken in advance (like our Advance Purchase rates) the original VAT at 20% applies.

Deposits

Where guests have paid a deposit in advance of the 15th July such as a 50% promotion and certain groups, we are obliged under VAT law to account for VAT at 20% on the deposit element only.

In-House Rates

For bookings that are in-house over the period of the VAT reduction and that are not prepaid reservations, the VAT is 20% for nights prior to the 15th and 5% on subsequent nights. So, the guest will need to be “administered” as checked om before night audit on the 14th and checked back in after night audit on the 15th at the lower VAT.

Groups Contracts

For all bookings with a stay date on or after 15th July and with a check out date on or before 12th January 2021 rates should be adjusted to reflect the lower VAT on accommodation, food and non-alcoholic beverages. N/A if quoted a minimum flat rate for an allocation.

Meeting Room Hire

Meeting room hire reduces to 5% for dates between 15th July 2020 and 12th January 2021, if meeting rooms are provided without the purpose of catering, the your supply is exempt, provided you have not opted to tax.

If Day Delegate Rates have been quoted, the food and refreshments aspect, as well as meeting room hire, is subject to 5% VAT. If the rate was £200.00, the new rate would be £175.00 ($£200.00 / 1.2 = £166.67 * 1.05 = £175.00$, round up to the nearest £1.00).

Social Banqueting Events (including weddings):

Taking place between 15th July 2020 and 12th January 2021 charges for food and non-alcoholic beverages should be reflect the reduced VAT. Any deposit taken prior to 15th July 2020 should be charged at 20%.

Contract Corporate Rates

Where these have been negotiated as inclusive of VAT, the rates should be reduced for stay dates 15th July 2020 to 12th January 2021 to reflect the lower VAT.