

The representative body of the parks industry including caravans, chalets, lodges, park homes, tents, glamping and all types of self-catering accommodation.



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Increase in temporary reduced rate of VAT from 5% to 12.5% effective from 1 October 2021

*With grateful thanks to Lyndsey Bennett and Thomas Lear of
PwC, BH&HPA national advisers*

1 September 2021



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Registered Office - as above. Registered No 713398 England.

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Lyndsey Bennett and Thomas Lear of PwC explain the implications of the increase of the temporary reduced VAT rate for hospitality, holiday accommodation and attractions effective from 1 October 2021.

With effect from 1 October 2021 the temporary reduced VAT rate of 5% for certain supplies of hospitality, holiday accommodation and attractions, introduced in July 2020 in order to assist and support the UK hospitality, tourism and holiday sectors during the COVID-19 pandemic, will increase to 12.5%.

The increased temporary reduced rate of 12.5% will apply until 31 March 2022 and, unless further changes are announced, on 1 April 2022 the VAT rate will revert to the standard rate of VAT of 20%.

Guidance was published to BH&HPA members following the introduction of the temporary reduced rate last year – [here](#) – and updated when the increase in rate from 1 October 2021 was announced - [here](#). So this guidance reminds of the supplies that will now be affected by the increase in the temporary reduced VAT rate and sets out frequently asked questions that may now arise as a result of the increase in rate to 12.5%.

As a reminder, the VAT rates applicable for certain supplies of hospitality, holiday accommodation and admissions to attractions are:

- 5% VAT on certain supplies between 15 July 2020 and 30 September 2021
- 12.5% VAT on certain supplies between 1 October 2021 to 31 March 2022
- 20% VAT reversion to the standard rate on 1 April 2022 (unless another specific VAT relief applies).

To what supplies does the temporary reduced rate apply?

The supplies the earlier temporary reduced rate of 5% applied to and the increased rate of 12.5% will apply, are as follows:

- food and non-alcoholic beverages sold for consumption on the premises, for example in restaurants, cafes and pubs;
- food and non-alcoholic beverages sold from vending machines in canteens and restaurants, for consumption on the premises;
- hot take-away food and non-alcoholic beverages;
- supplies of sleeping accommodation in a hotel or similar establishment;
- certain supplies of holiday accommodation;
- fees for caravan pitches and associated facilities;
- fees for tent pitches or camping facilities;
- fees for admissions to certain attractions.

Supplies typically provided by parks which are covered by the temporary reduced rate are as follows:

- holidays in caravans, lodges, chalets, glamping and all forms of self-catering accommodation;
- pitches for customers' holidays in their own touring caravan, motorhome or tent;
- pitch fees for holiday caravans or for seasonal tourers;
- charges to the owners of holiday caravans and seasonal tourers whose VAT treatment follows that of the pitch fee such as unmetered gas and electricity, or any commission ('transfer fee') charged upon a private sale of a holiday caravan under the terms of a Licence Agreement;
- food and soft drinks sold in the park restaurant, bar or cafe ("food" within this context does **not** include confectionery, or catering for off-site consumption).

There has been **no** change to the VAT charged on the sale of caravans. Therefore, this article does **not** address the VAT that should be accounted for on the sale of any type of caravans and their removable contents. Instead, please see the update article on page 63 the BH&HPA Journal 2021.2: [here](#).

Additionally, whilst the reduced rate extends to facilities that are associated with caravan pitch fees, this does **not** extend to fees for the storage of touring caravans away from the pitch on the park which remain subject to the standard rate of VAT at 20%.

What action do parks now need to take to reflect the increase in the temporary reduced rate?

Appropriate action should now have been taken to ensure that parks' tills and/or VAT accounting systems are set up correctly to apply the 12.5% VAT rate on the supplies noted above from 1 October 2021 to 31 March 2022. Further action will also need to be taken to ensure that VAT is accounted for at 20% on these supplies from 1 April 2022.

Parks that account for VAT by identifying relevant supplies at the point of sale, will need to apply the appropriate VAT rate in force on that day.

Park businesses which are not using the point of sale scheme should refer to HMRC's guidance on retail schemes and/or seek further specific advice.

As complexities arise when there are changes from one VAT rate to another, particular care should be taken to ensure that VAT has been accounted for at the correct rate. We expect that HMRC will likely challenge any attempt to artificially exploit the VAT rate changes.

How should park businesses calculate VAT at the 12.5% VAT rate?

To calculate the VAT element of a VAT inclusive figure using the VAT rate of 12.5%, park businesses should apply the VAT fraction 1/9.

For example, where a park business sells a holiday for a VAT inclusive price of £1,100, which has a tax point between 1 October 2021 and 31 March 2022, the VAT due will be as follows:

$$£1,100 \times 1/9 = £122.22$$

How do parks determine the correct rate of VAT applicable on invoices issued or payments received following the rate change?

In most situations, such as when a meal is sold at a restaurant or a takeaway pizza is sold at a food outlet, the park business will simply account for VAT at 12.5% for supplies made between 1 October 2021 and 31 March 2022.

However for other supplies, such as holiday caravan pitch fees for the 2022 season, the VAT treatment may not be as straightforward and to determine the correct VAT rate to apply park businesses will need to follow the rules regarding "tax points" or the "time of supply". Due care needs to be taken to understand how the rules apply to each of the relevant supplies they make.

The legal position is that VAT is accounted for in accordance with the normal tax point rules and HMRC's interpretation of the law is explained in [sections 14 and 15 of HMRC's VAT Notice 700](#).

With regards to tax points, there are two dates to be aware of:

- the “**actual tax point**”, which for VAT accounting purposes is usually the date when a transaction takes place for VAT accounting purposes, and
- the “**basic tax point**”, which is the date when the actual supply takes place. This becomes important in certain circumstances, particularly in situations where the VAT rate changes.

Although tax invoices do not need to be issued to park customers (as consumers), if tax invoices are issued, park businesses should be aware that they can also trigger an actual tax point.

When there is a change in the VAT rate between the actual and basic tax points, park businesses have a choice to apply the VAT rate which applies at the actual tax point or the rate that applies at the basic tax point. Where the delivery of a service spans a change in rate, HMRC also allows businesses to apportion the value of the supply between the two different rates if the supply takes place over the two different VAT rates.

*** Also see table below which may assist in determining the rate of VAT to be applied to pitch fees and holidays for the 2021/2022 season*

Frequently asked questions on the application of the temporary reduced VAT rate of 12.5% for supplies made between 1 October 2021 and 31 March 2022*

NB: further frequently asked questions on the applicability of the temporary reduced VAT rate can be found in the BH & HPA Guidance of 9 June 2021 - [here](#).*

Q1. If my park issues a valid VAT invoice on or after 1 October 2021 and prior to 1 April 2022 for a pitch fee for the 2022 season, can my business charge VAT at 12.5% even if all or some of the payment is received after 31 March 2022?

Yes. Given that an actual tax point has been crystallised by the issue of a valid VAT invoice between 1 October 2021 and 31 March 2022, which meets the conditions of part 16.3 of VAT Notice 700, based on the current HMRC guidance at the date of writing, it is possible to treat 2022 pitch fees as liable to VAT at 12.5%.

Q2. If my park business does not issue a VAT invoice to customers for the following season's pitch fees (e.g. my park usually sends a request for payment), can my business still account for VAT at the 12.5% rate if payment is received on or after 1 October 2021 but prior to 1 April 2022?

Yes. Given that an actual tax point has been crystallised as a result of payment being received when the VAT rate is 12.5%, based on current HMRC guidance at the date of writing, it is possible to account for VAT at 12.5% on the payment. However, if any further payments are made after 31 March 2022, they will attract VAT at 20%.

Q3. If on, or after 1 October 2021 but prior to 1 April 2022, a customer books a holiday (not under the Tour Operators Margin Scheme - TOMS) at my park to be taken in the Summer of 2022 and my business issues a valid VAT invoice at the time of booking, can VAT at 12.5% be charged on this supply?

Yes. Given that an actual tax point has been crystallised by the issue of a valid VAT invoice, which meets the valid VAT invoice conditions under section 16.3 of VAT Notice 700, based on current HMRC guidance at the date of writing, it is possible to treat the holiday as liable to VAT at 12.5%, even if no payment is received until after 31 March 2022.

This rule only applies to non-TOMS holidays, if the holiday falls under the compulsory TOMS rules, the tax point differs and we recommend that specialist advice is taken.

Q4. If on, or after 1 October 2021 but prior to 1 April 2022, a customer books a holiday (not under TOMS) at my park to be taken in the Summer of 2022 and makes a payment at the same time, can VAT be accounted for at 12.5% on the payment, even though my park doesn't issue valid tax invoices?

Yes. Given that an actual tax point has been crystallised as a result of a payment being received, it is possible to account for VAT at 12.5% on this payment. However, your park business will have to account for VAT at 20% on any further payments received after 31 March 2022.

If you have questions or comments about these changes that are not addressed below, please refer first to the more detailed guidance issued by HMRC** or speak with your accountant.

The temporary reduced rate and VAT Schemes

Cash Accounting

Park businesses using this scheme should use the same rules explained in this article to determine the applicable VAT rate. However, they should still bring VAT to account only when they receive payment as usual and subject to the rules of the scheme.

Flat Rate Scheme

Some of the flat rate percentages have been altered to reflect the increase in the temporary reduced rate. Park businesses using this scheme should check if the relevant category for their business has changed on HMRC's website.

Tour Operators Margin Scheme ("TOMS")

The temporary reduced rate changes will have an impact on the TOMS calculations.

This area of VAT is complex and HMRC have updated their guidance ([VAT Notice 709/5: Tour Operators Margin Scheme](#)) to reflect the effect that the temporary reduced rate will have. If further guidance is required, we recommend that specific advice is sought.

Conclusion

As park businesses have already experienced a VAT rate change, they may be comfortable in dealing with the latest changes. However as each park business has responsibility to account for VAT correctly, care must be taken in dealing with the change and when implementing the increased rate to ensure that the correct VAT rate is being applied.

For any queries regarding the above and how this applies to your park business, please contact the BH&HPA on telephone 01452 526911 for a referral to the VAT telephone helpline. If specific advice is required, your accountant or usual VAT adviser should be consulted.

Summary of the VAT Treatment of 2021/22 pitch fees and holidays

Summarised below are a number of scenarios and the applicable VAT rate to be applied to 2021/2022 pitch fees and holidays. This is not an exhaustive list.

In the context of the table below the term “valid VAT invoice” is an invoice which meets the conditions set out in paragraph 16.3 of HMRC's VAT Notice 700. Where invoices are issued to customers which detail the payments due and the invoice meets the specific terms set out in paragraph 14.3 of HMRC's VAT Notice 700 (continuous supplies of services) VAT must be accounted for at the rate in force at the time of each payment.

Pitch fee/holiday year	Scenario	When was payment received?	What rate of VAT will apply?
2022	Valid VAT invoice issued between 15 July 2020 and 30 September 2021	Payment received between 1 October 2021 and 31 March 2022	There is a tax point between 15 July 2020 and 30 September 2021, this supply will be subject to VAT at 5%.
2022	Valid VAT invoice issued between 1 October 2021 and 31 March 2022	Payment received between 1 October 2021 and 31 March 2022	There is a tax point between 1 October 2021 and 31 March 2022, this supply will be subject to VAT at 12.5%.
2022	Valid VAT invoice issued between 1 October 2021 and 31 March 2022	Payment received after 1 April 2022	There is a tax point between 1 October 2021 and 31 March 2022, this supply will be subject to VAT at 12.5%.
2022	Request for payment issued before 30 September 2021	Payment received between 1 October and 31 March 2022	There is a tax point between 1 October 2021 and 31 March 2022, this supply will be subject to VAT at 12.5%.
2022	Request for payment issued before 31 March 2022	Payment received after 31 March 2022	The Standard rate of VAT (20%) applies as the tax point is after 31 March 2022. Businesses will have the choice to apply the special rules and apportion the consideration so any part relating to the period prior to 1 April 2022 attracts VAT at 12.5%.

Further information

Guidance for BH&HPA members

- [COVID-19 - VAT Temporary Reduced Rate - Updated Guidance for BH&HPA Members - 9 June 2021](#)
- [COVID-19 - VAT Temporary Reduced Rate - Updated Guidance for BH&HPA Members - 19 October 2020](#)

HMRC guidance

- ** [VAT: reduced rate for hospitality, holiday accommodation and attractions](#)
- [VAT Notice 700 - VAT guide](#)
 - Section 14 and 15 - Time of supply (tax point rules)
 - Section 16.3 - VAT invoices
 - Section 30 - Changes in tax rates and liability
- [VAT Notice 709/1 - Catering and takeaway food](#)
- [VAT Flat Rate Scheme](#)
- [VAT Cash accounting scheme](#)
- [VAT Tour Operators Margin Scheme](#)



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