

EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (REDUCED RATE) (HOSPITALITY AND TOURISM) (EXTENSION OF TIME PERIOD) (CORONAVIRUS) ORDER 2020

2020 No. 1413

1. Introduction

- 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC), where relevant on behalf of HM Treasury, and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument extends the temporary Value Added Tax (VAT) relief for certain supplies relating to hospitality, holiday accommodation and admission to certain types of attractions that was introduced by the Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order 2020 (SI 2020/728). The previous relief covered the period 15 July 2020 to 12 January 2021. This instrument extends this until 31 March 2021. The intention is to continue to support employment in the tourism and hospitality sector to help businesses to recover from the economic impacts of the coronavirus pandemic.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is subject to the negative resolution procedure, there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the whole of the United Kingdom.
4.2 The territorial application of this instrument is the whole of the United Kingdom.

5. European Convention on Human Rights

- 5.1 The Financial Secretary to the Treasury, the Rt Hon Jesse Norman MP, has made the following statement regarding Human Rights:

“In my view the provisions of the Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Extension of Time Period) (Coronavirus) Order 2020 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 Section 29A of the Value Added Tax Act 1994 (VATA) provides that the supplies of goods or services described in Schedule 7A to VATA shall be subject to a reduced rate of VAT of 5%.
- 6.2 Section 29A(3) of VATA confers a power on the Treasury to vary Schedule 7A by adding to, deleting from or varying the description of the supplies that are specified in it.
- 6.3 This instrument varies Schedule 7A by amending the end date for the temporary VAT relief for certain supplies relating to hospitality, holiday accommodation and admission to certain types of attractions.
- 6.4 The instrument also extends the time during which consequential changes to regulation 55K of the Value Added Tax Regulations 1995 (SI 1995/2518) will apply to match the period during which the temporary VAT relief will be in place.

7. Policy background

- 7.1 This temporary relief is being extended until 31 March 2021 to continue to support employment and the reopening of businesses in the hospitality, accommodation and tourism sectors which, for the period that it is in place, will only be required to charge and account for VAT at the reduced rate on the specified supplies.
- 7.2 The scope of the relief will stay the same.
- 7.3 The instrument also extends the period during which consequential changes to the percentage rates at which businesses in the affected sectors who are eligible for the VAT Flat-Rate Scheme account for and pay VAT will apply, to ensure that they benefit from the reduced rate.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

- 8.1 This instrument does not relate to the United Kingdom's withdrawal from the European Union.

9. Consolidation

- 9.1 This instrument makes amendments to Schedule 7A to VATA and there are no plans to consolidate the legislation at this time.

10. Consultation outcome

- 10.1 As the Government has decided to implement this as an emergency measure to support the reopening of businesses, it has not been possible to consult in the time available.

11. Guidance

- 11.1 Updated guidance was published on 3 December 2020 and can be found at <https://www.gov.uk/guidance/vat-reduced-rate-for-hospitality-holiday-accommodation-and-attractions>.

12. Impact

- 12.1 The impact on business, charities or voluntary bodies is expected to be a continued significant benefit for more than 100,000 businesses by substantially reducing the VAT they are required to charge and account for to HMRC. This temporary relief is being extended to continue to support employment in the tourism and hospitality sectors to help businesses to recover from the economic impact of the coronavirus pandemic. One-off costs of the extension of the relief are expected to be negligible. There are not expected to be any ongoing costs. There is no, or no significant impact, on charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 A Tax Information and Impact Note covering this instrument was published on 15 July 2020 alongside the Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order 2020 (SI 2020/728) and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.
- 12.4 The measure is expected to positively impact a large number of individuals by extending the period during which VAT charged on hospitality, holiday accommodation and admission to certain types of attractions is lowered.

13. Regulating small business

- 13.1 The legislation applies to activities that are undertaken by small businesses. Small businesses that make the supplies included within the relief will substantially benefit, either by increased business as a result of reducing their prices or by increased profits.
- 13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the Government will ensure that there is sufficient guidance available for businesses to make the changes and benefit from the tax relief.
- 13.3 The basis for the final decision on what action to take to assist small businesses is that the measures introduced by this instrument will benefit such businesses and public guidance will enable them to be aware of and apply the tax relief.

14. Monitoring & review

- 14.1 It is a temporary measure intended to relieve businesses from some of the burden of VAT for a limited period. The extended relief will come to an end on 31 March 2021.
- 14.2 The instrument does not include a statutory review clause because it relates to tax and therefore meets the requirements of the exemption set out in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015 because the power by which this instrument is made is being exercised so as to make or amend provisions imposing, abolishing, or varying any tax, duty, levy, or other charge or provisions in connection with such provisions.

15. Contact

- 15.1 HMRC email: HMRC can be contacted at VATtourismandhospitality@hmrc.gov.uk with any queries regarding this instrument.
- 15.2 Ian Broadhurst, Deputy Director VAT Reliefs, Deductions and Financial Services, Indirect Tax Directorate, at HMRC can confirm that this Explanatory Memorandum meets the required standard.

15.3 The Rt Hon Jesse Norman MP, Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.