

# COVID-19: VAT update including the Winter Economy Plan

## Indirect Tax

29 October 2020

**The government launched its Winter Economy Plan on 24 September ( [tinyurl.com/y4j9cjjm](https://tinyurl.com/y4j9cjjm)), and section 3.2 sets out several COVID-19 measures impacting VAT.**

### **Longer period to repay VAT deferred under COVID deferral scheme**

The Winter Economy Plan introduces optional longer repayment terms for taxpayers that deferred VAT owed from VAT returns due during the deferral period of 20 March to 30 June 2020, known as the 'New Payment Scheme'. Rather than having to repay the deferred VAT in full by 31 March 2021, as was originally intended, taxpayers will be able to 'opt in' to the new payment scheme and spread their repayment of VAT over the financial year 2021/ 22 in 11 monthly instalments.

HMRC will put in place an opt-in process in early 2021 and guidance will be published in due course. Taxpayers must opt in if they wish to use the payment scheme though all taxpayers are eligible.

### **Reduced VAT rate for hospitality, holiday accommodation and attractions is extended to 31 March 2021**

Revenue and Customs Brief 10 (2020) ([tinyurl.com/y2fwmnwz](https://tinyurl.com/y2fwmnwz)) introduced a temporary reduced VAT rate of 5% for the hospitality and tourism sectors, which was due to end on 12 January 2021.

The Winter Economy Plan announced an extension of the temporary reduced rate which will now end on 31 March 2021. The reduced VAT rate of 5% will continue to apply to supplies of:

- food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises;
- holiday accommodation; and
- admission to attractions.

The ATT has published questions it asked of HMRC and the answers received from HMRC about this COVID-19 VAT measure ([www.att.org.uk/HMRCresponse\\_tempreducedVAT](http://www.att.org.uk/HMRCresponse_tempreducedVAT)).

### **Interaction between VAT bad debt relief, payments on account and the COVID VAT deferral**

The CIOT wrote to HMRC to ask them to confirm the VAT accounting position for bad debt relief where VAT payments on account taxpayers had part paid and part deferred the VAT quarter's VAT due. HMRC's response is published on the CIOT's website: ([www.tax.org.uk/HMRCresponse\\_baddebtrelief](http://www.tax.org.uk/HMRCresponse_baddebtrelief)).