



Eat Out to Help Out Scheme

– How to account for VAT

Factsheet

A number of our restaurant clients have registered for the Eat Out to Help Out Scheme, where they can claim back the 50% discount offered to customers for supplies made on Mondays to Wednesdays between 3rd August and 31 August 2020. As they are offering a discount to customers on their bill, does this mean they only pay VAT to HMRC on the discounted amount?

Although where there is a true discount given, VAT is due on the discounted amount, **HMRC have confirmed that VAT will still be due on the full value of the bill**, before the discount has been applied. The logic behind this is presumably that whilst the customer is only paying part of the bill themselves, the restaurant is still receiving full consideration for the supply.

The VAT should be paid in full within the correct period in which the transaction takes place, i.e. when the service is provided, and not when the refund for the scheme is paid. You will be allowed to make a manual adjustment to your records to reflect the VAT that is due if your point of sale system would not otherwise allow you to reflect the VAT due accurately.

Alongside the scheme you can continue to apply the temporary reduced rating for VAT on these catering supplies.

VAT example for meal for two people:

Food cost – £15
Non-alcoholic beverages – £5
Total bill – £20
Total paid by customer = £10
Total paid by scheme = £10 (50% of the total bill as it is all for food and non-alcoholic beverages)

VAT due = $1/21$ of £20 = 0.95p ($1/21$ is the VAT fraction to extract 5% VAT from a VAT inclusive price)

Remember that the temporary reduced rate doesn't apply to sales of alcohol and neither does the Eat Out to Help Scheme.

VAT example for meal for two people, including alcohol:

Food cost – £15
Alcoholic beverages – £5
Total bill – £20
Total paid by customer = £12.50
Total paid by scheme = £7.50 (50% of the bill excluding alcohol)

VAT due on food = $1/21$ of £15 = £0.71

VAT due on alcohol = $1/6$ of £5 = £0.83
Total VAT due = £1.54

Within their guidance on Eat Out to Help Out, HMRC have mentioned that they will accept estimated returns if you are unable to calculate the adjustment in the correct period, and then correct the VAT on your next return. Whilst we cannot envisage a scenario where this would be applicable, the provision for estimating is there should it be necessary.

As always, if you have any questions regarding this Factsheet, then please do get in touch.

You can contact us on: 01604 678470 / 01933 312950

