

Budget 2021 5% VAT rate for hospitality until September.

To continue supporting the 150,000 businesses in the tourism and hospitality sectors and to protect 2.4 million jobs, the government has extended the temporary 5% reduced rate of VAT until 30 September 2021.

To help businesses manage the transition back to the standard rate, a 12.5% rate will then apply for a further six months, until 31 March 2022. This will cost the Exchequer an estimated £4.7bn.

The VAT reduction applies to food and non-alcoholic drink sales.

Grant funding will also be available to businesses in England through a new £5 billion Restart Grant scheme to help the high street, providing up to £18,000, bringing the total spent on business grants to £25 billion.

A new Recovery Loan Scheme will also be launched to replace the existing government guaranteed schemes which have supported £73 billion of lending to date and close at the end of March.

The UK hospitality sector is breathing a sigh of relief as the Chancellor seems to have listened to its pre-Budget requests. In particular, the extension of the 5% VAT rate for the UK hospitality sector for an additional six months up to the end of September 2021 is good news for businesses in the sector as it will cover the much important summer season.

It was even more reassuring to see that in addition from 1 October 2021 to 31 March 2022, the VAT rate will increase to 12.5% before it returns to 20% with effect from 1 April 2022.