



Temporary reduction in VAT Rate: What does this mean for the fast food sector?

Igniting the spark, but is it possible to keep the fire burning?

The Chancellor's recent announcement to introduce a temporary VAT rate cut provides a much needed economic stimulus for the fast food industry. With social distancing measures reducing capacity for dine in facilities the reduction from 20% to 5% VAT on hot takeaway food has been welcomed.

Effective 15 July 2020 to 12 January 2021 it is anticipated that it will assist outlets in mitigating losses suffered during the lockdown period. Whilst businesses are not obliged to pass savings onto customers through price reductions it is clear that there are opportunities to use the reduced VAT rate to finance promotions and marketing initiatives.

It has already been commented on that the reduced rate may not be straightforward for all outlets who will be required to revise systems and identify any product to which the 5% rate does not apply (takeaway soft drinks, confectionery and crisps being examples). However there are also a number of ways in which businesses can take advantage of the relief and through prudent marketing and promotional strategies even extend the period in which the reduced rate of 5% is applicable. This would provide outlets with

increased income given that the lower amount of VAT payable can increase profits by around 12%.

We have been working with stakeholders across the industry to review the current VAT position and facilitating discussions between Marketing and Finance teams to optimise the benefits that the reduced VAT rate can generate. Each business needs to be considered individually but if any of the following areas are applicable to your outlets please do not hesitate to contact us to discuss in more detail.

- Meal deals
- Gift cards / vouchers
- Children's party packages
- Discount / privilege cards

In addition we would be more than happy to advise on the interaction of the above with the £10 "Eat In to Help Out" scheme to be introduced in August 2020.

For more information or to speak to one of our experts, please get in touch.



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