

Explanatory Memorandum to Tynwald Members

Issued by the Department of the Treasury

To the Hon Laurence Skelly MLC, President of Tynwald and the Hon Council and Keys in Tynwald assembled

1. Title of measure

Value Added Tax 1996 (Reduced Rate) (Amendment) (No. 2) Order 2021

2. Changes in policy

None. Under the Customs and Excise Agreement the Island is obliged to maintain its VAT law so that it corresponds to that in the UK.

3. Effects of the measure

This Order modifies the Value Added Tax Act 1996 (Reduced Rate) Order 2020¹ in line with modifications made in the United Kingdom, as required under the Customs and Excise Agreement 1979. The Order is made under sections 29A and 98 of the Value Added Tax Act 1996.

Since 15 July 2020 supplies in the course of catering and admissions to shows and certain other attractions have been subject to a temporary 5% reduced rate of VAT, rather than the 20% standard rate, to support businesses as a result of the coronavirus emergency.

The temporary 5% reduced rate ended on 30 September 2021 which would normally mean that supplies which had benefitted from the reduced rate would revert to the standard rate. However, for the period 1 October 2021 to 31 March 2022, supplies in the course of catering and admissions to shows and certain other attractions are subject to a new 12.5% reduced rate of VAT, providing continued support to businesses in these sectors as they recover from the pandemic.

4. Reasons for the measure

The temporary VAT reduced rate of 12.5% from 1 October 2021 until 31 March 2022 will continue to assist those sectors severely impacted by the coronavirus pandemic.

This Order follows equivalent changes made to UK VAT law and is required under the terms of the Customs and Excise Agreement.

¹ SD 2020/0392, as amended by SD 2020/0571 and SD 2021/0104.

5. Resource implications

It is expected that this measure will continue to be a benefit to businesses in certain sectors by reducing the VAT they are required to charge and account for to the Treasury.

6. Tynwald procedure

This Order is subject to the negative Tynwald procedure under section 95(1) of the Value Added Tax Act 1996.